



# **BRNO UNIVERSITY OF TECHNOLOGY**

VYSOKÉ UČENÍ TECHNICKÉ V BRNĚ

## **FACULTY OF BUSINESS AND MANAGEMENT**

FAKULTA PODNIKATELSKÁ

## **INSTITUTE OF ECONOMICS**

ÚSTAV EKONOMIKY

# **MARKETING STRATEGY PROPOSAL FOR A COMPANY ENTERING THE CZECH MARKET**

NÁVRH MARKETINGOVÉ STRATEGIE SPOLEČNOSTI VSTUPUJÍCÍ NA ČESKÝ TRH

## **MASTER'S THESIS**

DIPLOMOVÁ PRÁCE

### **AUTHOR**

AUTOR PRÁCE

**Bc. Tomáš Mazal**

### **SUPERVISOR**

VEDOUCÍ PRÁCE

**Ing. Vít Chlebovský, Ph.D.**

**BRNO 2016**

## **MASTER'S THESIS ASSIGNMENT**

**Mazal Tomáš, Bc.**

---

European Business and Finance (6208T150)

Pursuant to Act. No. 111/1998 Coll., on Higher Education Institutions, and in accordance with the Rules for Studies and Examinations of the Brno University of Technology and Dean's Directive on Realization of Bachelor and Master Degree Programs, the director of the Institute of Economics is submitting you a Master's Thesis of the following title:

### **Marketing Strategy Proposal for a Company Entering the Czech Market**

In the Czech language:

### **Návrh marketingové strategie společnosti vstupující na český trh**

Instruction for writing:

Introduction  
Goals of the Theses  
Theoretical Foundations  
Current Situation Analysis  
Proposals and Contribution  
Conclusion  
References  
List of Appendices

List of literature:

BOVE

The supervisor of Master's Thesis: Ing. Vít Chlebovský, Ph.D.

Deadline for submission Master's Thesis is given by the Schedule of the Academic year 2015/2016.

L.S.

---

doc. Ing. Tomáš Meluzín, Ph.D.  
Director of the Institute

---

doc. Ing. et Ing. Stanislav Škapa, Ph.D.  
Dean of the Faculty

Brno, 29.2.2016

## **ABSTRAKT**

Diplomová práce se zabývá návrhem marketingové strategie slovenské společnosti Shirt Up, s.r.o. pro vstup na český trh. Společnost je malým producentem triček s potiskem a v současné době má zastoupení výhradně na Slovensku.

Cílem této práce je připravit možnou marketingovou strategii pro vstup na český trh, která bude vycházet z teoretických základů a analýzy současné situace.

## **ABSTRACT**

The thesis deals with proposal of a marketing strategy for Slovak company Shirt Up, s.r.o. entering the Czech market. The company is a small producer of t-shirts with custom print and currently has presence exclusively in Slovakia.

The aim of this paper is to present a possible marketing strategy to enter that will be based on theoretical frameworks and analysis of current situation.

## **KLÍČOVÁ SLOVA**

marketingová strategie, marketing, vstup na trh, zahraniční trh

## **KEYWORDS**

marketing strategy, marketing, market entry, foreign market

## **BIBLIOGRAPHIC CITATION**

MAZAL, T. *Marketing Strategy Proposal for a Company Entering the Czech Market*. Brno: Brno University of Technology, Faculty of Business and Management, 2016. 84 p. Supervisor of diploma's thesis Ing. Vít Chlebovský, Ph.D.

## **STATUTORY DECLARATION**

I declare that submitted master's thesis is authentic and worked up independently. I also declare that citations are complete and copyrights are not violated (pursuant to Act. No. 121/2000 Coll, on copyright and on laws related to copyright Act.).

Brno, 18. 7. 2016

.....

## **ACKNOWLEDGEMENT**

I would like to acknowledge my tutor Ing. Vít Chlebovský, Ph.D. for his professional guidance and support which greatly helped me in creating the thesis.

# TABLE OF CONTENTS

INTRODUCTION .....	10
THE AIM OF THE WORK.....	11
1 THEORETICAL BACKGROUND.....	12
1.1 Strategy .....	12
1.2 Marketing .....	12
1.3 Marketing strategy .....	13
1.3.1 Target market.....	14
1.3.2 Marketing mix.....	14
1.3.3 Market entry strategies.....	16
1.4 Business objectives .....	18
1.5 Marketing environment.....	19
1.5.1 SLEPT analysis.....	19
1.5.2 Porter's five forces analysis.....	21
1.5.3 SWOT .....	23
1.5.4 Key success factors .....	24
1.5.5 Porter's generic competitive strategies .....	24
1.6 Internet marketing .....	26
1.6.1 Inbound marketing.....	27
1.6.2 Content marketing.....	28
1.6.3 Copywriting .....	29
1.6.4 Affiliate marketing.....	30
2 CURRENT STATE ANALYSIS.....	31
2.1 Introduction to the industry .....	31
2.2 About the company .....	31
2.3 SLEPT analysis .....	32



2.4	Key success factors of the industry .....	36
2.5	Analysis of competitive environment .....	38
2.5.1	Suppliers .....	38
2.5.2	Customers .....	39
2.5.3	Partners .....	42
2.5.4	Competitors in the Czech market.....	43
2.5.5	Comparison of Slovak and Czech e-commerce market.....	45
2.5.6	Porter's five forces .....	46
2.6	Analysis of marketing mix .....	48
2.6.1	Product .....	48
2.6.2	Place .....	48
2.6.3	Price .....	49
2.6.4	Promotion.....	49
2.7	SWOT analysis.....	52
2.8	Findings of the analysis.....	54
3	PROPOSALS .....	56
3.1	Goals of the entry .....	56
3.2	Mode of entry .....	56
3.3	Market segmentation .....	57
3.4	Marketing mix .....	57
3.4.1	Product .....	58
3.4.2	Place .....	60
3.4.3	Price .....	62
3.4.4	Promotion.....	63
3.5	Marketing mix options based on entry mode .....	65
3.6	Price and time estimation .....	66

3.6.1	Export.....	66
3.6.2	Wholly owned subsidiary .....	67
3.6.3	Comparison.....	68
3.7	Risks, limitations and further tips .....	70
CONCLUSION.....		71
BIBLIOGRAPHY .....		72
LIST OF FIGURES .....		81
LIST OF TABLES .....		82
LIST OF GRAPHS .....		83
LIST OF APPENDICES.....		84

## **INTRODUCTION**

Today's age is specific by fast exchange of information and disappearing barriers of trade which opened the door to globalisation. It caused that companies can reach new markets easier than ever before and grow to size that was earlier not imaginable. On the other hand, the competition is much higher, because anyone with a good strategy can compete for customers globally. In order to be able to compete with companies from all around the world a good strategy is crucial part of the success. Inseparable part of the strategy is the marketing strategy which sets the way how the company reaches its customers, pricing policy, etc. In other words, the plan how to sell as much services or products for as much money as possible.

The company Shirt Up, s.r.o. is a Slovak producer of custom printed apparel and is currently active in the Slovak market. It is within the company's medium term goals to enter the Czech market and as such, the company is in need of a marketing plan which would enable the company to succeed in this market. It is this thesis' goal to provide such marketing plan.

## **THE AIM OF THE WORK**

The aim of this work is to propose a marketing strategy for Slovak company Shirt Up, s.r.o. which produces custom printed apparel and wants to enter the Czech market.

The work starts by theoretical part which explains theoretical frameworks and tools necessary for the marketing strategy. Following part is analysis of the company using the theoretical frameworks described in the earlier chapter. Main steps undertaken are:

- SLEPT analysis of the Czech macro business environment.
- Analysis of competitive environment - suppliers, customers, partners and competitors followed by Porter's five forces framework analysis.
- Analysis of current marketing mix.
- SWOT analysis – presents internal factors such as strengths and weaknesses and external opportunities and threats.

Based on the analytical part, the proposed marketing strategy will be proposed in the last part of this thesis.

# **1 THEORETICAL BACKGROUND**

This chapter explains theoretical frameworks and theories that are necessary for creating the marketing strategy. It is the foundation upon which the actual marketing strategy can be built on.

## **1.1 Strategy**

This chapter will explain various meanings of the word strategy and describe what kind of strategies there are.

Chandler (1962) is the author of one of the oldest definitions of strategy. He defined it as a group of goals, ways of reaching these goals and resources needed in order to succeed. Quinn (1980) describes the strategy as a homogenous and integrated plan which has to be created if the company wants to achieve its goals.

Mintzberg (1978) introduces different point of view on the strategy and describes it as a pattern in the flow of decisions and actions. This flow is represented by his 5P model and is composed of stages called plan, ploy, pattern, position and perspective.

Plan in the 5P model represents instructions how to behave in certain situations and these instructions are consciously designed with specific purpose in mind. Ploy represents a trick which a company is willing to use in order to mislead its competitors and hide its real goals. Pattern represents repetition in the company's behaviour which can be observed. Position is the company's market position.

The author describes strategy as a perspective and culture that is accepted by the whole company and focuses on the future.

## **1.2 Marketing**

The most elementary concept how to explain marketing is to think of human needs. Basic human needs are physical – need for food, clothing, warmth and safety. Furthermore,

there are social needs for belonging, affection and individual need for knowledge and self-expression. These needs are a basic part of human make-up – they were not created by marketers. Other than the needs, humans have their wants. These are shaped by the culture and individual personality. They are described in terms of objects that satisfy the needs. When wants are backed by purchasing power, they become demands. Considering their wants and resources, people demand products and services with benefits that offer the best possible value and satisfaction. Their needs and wants are fulfilled through a market offering – combination of products and services, information or experiences offered to a market in order to satisfy a need or a want. Market offerings may include physical products, services or activities and benefits that are for sale and are essentially intangible, therefore do not result in the ownership of anything. Market offerings also include other entities, such as persons, places, organisations, information and ideas (Armstrong et. al., 2009).

### **1.3 Marketing strategy**

The classical definition of strategy classifies it as a document that contains long term goals of the company and sets the flow of individual operations and source allocation needed to fulfil those goals (Dedouchová, 2001).

More up to date definition looks at strategy as being ready for the future. The strategy sets the long term goals, flow of each strategic operation and resource allocation in a way that strategy extends the needs of the company, looks at changes of resources and at the same time responds to changes in the company's surrounding (Dedouchová, 2001).

Strategy is a clearly defined process that describes current state of the company in important areas and which at the same time states how the company will reach its strategic goals under the current conditions (Havlíček, 2009).

In the nowadays digital age many companies are looking for a new model of the marketing strategy that would fulfil the modern requirements.

### **1.3.1 Target market**

A target market can be defined as a certain group of customers that is the most likely to purchase the company's products or services (Bovee and Thill, 1992). The company picks the target segment based on its belief of having a competitive advantage in the selected market segment. When marketers have the ability to aim their efforts at certain market segment rather than trying to reach the whole market, they can design the marketing mix for the specific needs and wants of the selected market segment (Zikmund and D'amice, 1989). The marketing effort should always start with a clear definition of who the target customers are.

### **1.3.2 Marketing mix**

Marketing manages achieve the goal of satisfying customers by managing the marketing activities. The marketing mix is a group of such key activities. Although the marketing mix is composed of many key activities, the most common framework used classifies it as 4P: product, price, place and promotion (Zikmund and D'amico, 1989). The 4P framework lets the marketers decide on a *product* and its characteristic features, set its *price*, get it to the place where people are going to buy it and design the way how to *promote* it (Kotler, 1999). However, when designing and managing the marketing mix, marketers have to keep in mind the external forces that are influential (Bovee and Thill, 1992).

#### **Product**

The foundation of any business is a product. Companies attempt to make a product different and better from its competition and meeting the needs of its target markets and customers' needs so that they are willing to pay a premium price for it (Kotler, 1999). A product represents goods, services or even ideas. It can also include more than just a basic product – for example services like consulting, installation or training. In the world of globalisation where difference between products disappear and become more unified, it is more important than ever before to differentiate the product by these additional features

which might be crucial for the customers when they decide which product to choose (Bovee and Thill, 1992)

### **Price**

This is element that represents the amount of money that the product is sold for. It is different from the rest of the elements because it is the only element that generates income. The rest of the elements generate costs. The price has a direct impact on the company's profit and therefore the companies strive to achieve the price as high as possible, considering the market conditions (Kotler, 1999). Companies also try to increase the volume of production in order to achieve lower production cost per product – leveraging the economies of scale. On the other hand, the price level suggests the quality of the product to the customer. If the product is expensive, it is expected that it is an exclusive product and vice versa (Bovee and Thill, 1992). To sum it up, price is such an important factor, that there should be an extensive research towards the target customer segment commenced in order to find the right price level that would maximize the company's income.

### **Place**

Distribution activities determine how quickly and in what conditions the products are transferred from the place of production to the customer (Zikmund and D'amico, 1989). The purpose is to get the right product to the right place at the right time. This factor also includes activities around selecting the distribution channels and selecting the people and organizations involved such as wholesalers or retailers. Furthermore, these activities include transport, storage, packaging and inventory or order processing (Bovee and Thill, 1992). The right distribution method is dependent on many factors. Some producers may find it more convenient to sell directly to retailers or final consumers while others might prefer selling through wholesalers. Both options can be found within the same industries.

### **Promotion**

The last factor – promotion is composed of many tools that are used to reach the customer and deliver him a message. It breaks down to categories as advertising, personal selling, public relations and sales promotion (Kotler, 1999). The combination of these tools that



the company uses is called the promotional mix. The message that is being communicated with the target group supports the product and its sales, its purpose is to persuade the customer that the product is worth the money (Zikmund and D'amico, 1989).

There are two basic types of promotion and it is the marketer's role to choose which type is the most fit for the company's purposes. The first type is direct communication when the customer is addressed usually face to face. The other option is indirect communication through a medium such as the Internet or television (Zikmund and D'amico, 1989). The method used should naturally merge from the context of the product. While for example buyers of industrial machinery would feel comfortable with direct communication, it is unlikely that this approach would work with consumer goods where customers do not need to discuss specific features of the product and rather rely on advertisements.

*Advertising* is a paid message that is delivered by a medium that is not a live salesperson and it bears signs of the producer (Nickels, McHugh and McHugh, 1987).

*Personal selling* is activity when a salesperson introduced the product to the potential buyer and it could be done either face to face or by a phone. The purpose is to promote the product and ideally sell it. Personal selling is the most flexible way how to deliver the message, but on the other hand, it is also very expensive way to reach the potential customer. The salesperson has to be trained and follow a certain design pattern in order to reach the goal (Zikmund and D'amico, 1989).

*Publicity*, similarly to advertising, delivers a message to the public using the media, but it is not paid (Zikmund and D'amico, 1989).

*Sales promotion* is initiative undertaken by the company in order to support sales of the product. It can have a form of free gifts, samples, discounted prices (Zikmund and D'amico, 1989).

### **1.3.3 Market entry strategies**

Any company that is considering expansion to foreign markets must undergo extensive analysis prior to a decision how to enter such market. It should choose the entry strategy that best stimulates growth and profit of the company. There are several options how to enter a foreign market and each bears its own advantages and disadvantages; each strategy is valid for different industry, scale and type of business (Hill, 2011).

## **Exporting**

The most common way how to expand to foreign markets. It involves transportation of products abroad and selling them there. This is the typical entry strategy for manufacturing companies (Hill, 2011.)

Douglas and Craig (1995) split this strategy into two versions – direct and indirect exporting.

Indirect exporting uses trading companies or export agents to sell goods to local branches or foreign entities that export goods to the destination country by themselves. Responsibility for distribution, insurance and satisfying the customer is transferred to third party. This mode is usually being used by companies with limited foreign expansion objectives (Hill, 2011).

Direct exporting means that the company does not transfer any exporting responsibilities to third parties. It invests into developing its own sales representation and gains full control over the process. Organization that decides to use direct exporting has own responsibility for all exporting functions from identification of potential market to developing a marketing plan (Hill, 2011).

## **Licensing**

Licensing is described by Hill (2011) as an agreement between licensor and licensee, where licensor gives licensee the right to use its own intangible property in exchange for a royalty fee. The intangible property may include items such as formulas, designs, patents, copyrights and trademarks. As Jaennet and Hennessey (1899) explain, there are several reasons why companies might choose licensing as their foreign market expansion strategy. First use case might be when the market potential of target country is too small to open a physical presence there. In this case, the licensee can add production to their already running factory. Secondly, licensee might be able to eliminate risks connected to the investment into fixed assets in countries with unstable political or economic situation. Lastly, governments may prefer local business in some countries. In those cases, it might be the only way how to gain presence on such market to license the product to local business.

## **Franchising**

It is similar to licensing, but usually requires long term commitments. It is more-less specialized form of licensing, but the franchiser does not sell only intangible items, but also tangible ones – most often trademark and a package with strict guidelines how to make business. Franchisee usually pays a onetime fee to set up the business and then royalty fees that are based on percentage of its income. Unlike licensing, this mode is usually used by companies that provide services – most known examples are fast food franchises such as McDonalds, KFC and similar (Hill, 2011).

## **Joint ventures**

Joint venture is a mode of expansion when organisation is owned by two or more otherwise independent entities. Typically, both entities own 50 % stake in the joint venture business. However, some organisations might be seeking better control and therefore own majority stake (Rugman and Collison, 2012).

Joint ventures are preferred solution for expansion when the company desires to expand into country with dramatically different economic or market conditions. It may be an advantage to set up such venture with domestic company and gain experience from the market regarding its conditions, customer requirements, key competitors, etc. (Douglas and Craig, 1995).

## **Wholly owned subsidiary**

This option means that the company owns 100 % of foreign operation and has physical presence in the target market. This is beneficial mainly because of full control and avoiding conflicts with partners. The company can either set up own foreign operation from scratch or acquire a company on the target country (Rugman and Collison, 2012).

## **1.4 Business objectives**

Effective marketing strategy requires defined business objectives. They grow out of an organizational mission – a statement of the role that the company should play in the market and how it wants to be perceived by customers (Bovee and Thill, 1992).

Corporate objectives are usually divided into long term and short term. Those that are more than one year in the future are long term goals (Konečný, 2005). All marketers need to appoint objectives that are specific and measurable – SMART method can be applied.

**Table 1: SMART method**

S	Specific	Objectives should be specific and clearly defined.
M	Measurable	Results should be possible to measure and verify.
A	Achievable	Solution must be in accordance with the specifications.
R	Relevant	Objectives must be relevant to the context of what the company does.
T	Timed	Objectives must be given a certain timeframe.

(Source: Konečný, 2005)

## **1.5 Marketing environment**

According to Bovee and Thill (1992), the marketing environment is a set of all influences that affect a company and its objectives. Marketer's job is to watch for changes in the environment and adapt the company's strategy to reflect them.

### **1.5.1 SLEPT analysis**

SLEPT is commonly used and highly valuable technique to analyse external environment of the company. It divides the environment into four areas that describe factors affecting the organisation – social, legal, economic, political and technological (Gregory, 2000).

#### **Social factors**

These factors are represented by demographic statistics (size of population, age structure, level of education, work preference, geographic or ethnic structure), macroeconomic characteristics of labour market (income distribution, unemployment), social and cultural aspects (standard of living, gender equality, population policy), availability of work force,

work habits (availability of potential employees with required skills, work force diversity, existence of quality education system). Additionally, the trend of health and environmental improvement belong to these factors (Dedouchová, 2001).

### **Legal factors**

Grasseová (2012) lists these factors as existence and working state of legal norms (business law, tax legislation, deregulation, environmental measures), legislation that is lacking and other factors (functioning court system, enforcement of the law, intellectual property).

### **Economic factors**

According to Grasseová (2012) economic factors include basic assessment of macroeconomic situation (level of inflation, interest rates, level of economic growth, trade deficit or surplus, GDP per capita, exchange rate stability, budget), access to financial sources (availability of loans, banking system) and tax factors (tax rates and their development, import taxes).

### **Political factors**

Government activities indisputably influence businesses both directly and indirectly, government can be seen as the biggest enterprise at national or local level. With current trend of globalisation, existence of international trading organisations, the international political and economic influences represent one of the key features of the business environment. Additionally, public and political opinions in areas such as environmental policy and corporate responsibility influence the business just as well (Worthington and Britton, 2009).

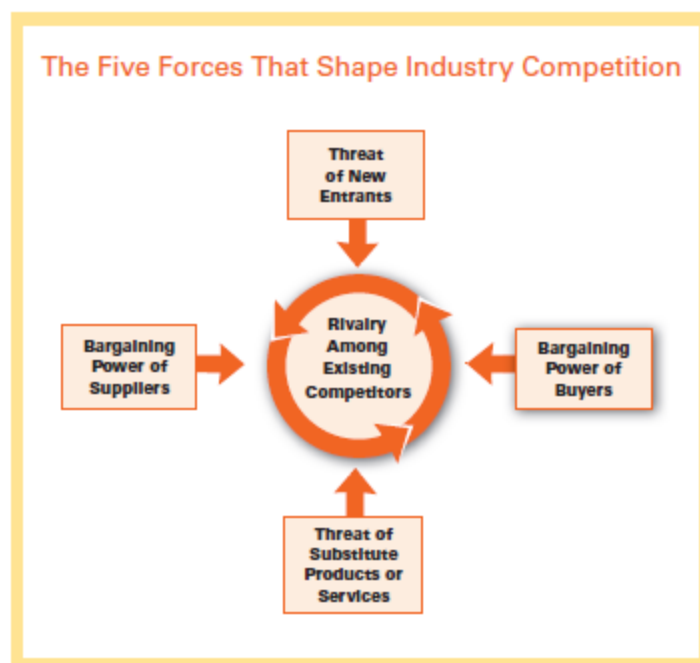
As Grasseová (2012) adds, these factors include political stability (form of government, key governmental bodies and offices, ruling political party, existence of political figures), political stance (attitude towards private and foreign investments, relationship to national industry, attitude towards the private sector), external relationships (foreign conflicts, regional politics) or political influence of various parties.

### Technological factors

This category includes governmental support of research, new discoveries, speed of moral depreciation, new technological activities and general technological progress (Grasseová, 2012).

### 1.5.2 Porter's five forces analysis

Michael Porter developed a framework that is used to analyse the level of competition within the industry. He derived five forces that determine the competitiveness in the industry and therefore its attractiveness for the business – meaning its profitability. If the combination of forces causes low profitability, the industry is unattractive. If the industry is very unattractive, it is reaching the point of perfect competition (Porter, 2008).



**Figure 1: Porter's five forces** (Source: Porter, 2008)

#### Threat of new entrants

There are two factors of probability of new entrant – existence of entry barriers and possibility of retaliation (Tomek and Vávrová, 2008). The most attractive industry is the

one that has high barriers of entry and low barriers of exit – only a few businesses can enter such industry and they can easily leave it (Kotler and Keller, 2007).

### **Threat of substitutes**

Substitutes are products or services that are able to replace each other functionally. Threat is higher if the product that has a substitute is more expensive or has lower quality than its substitute (Tomek and Vávrová, 2008).

Industry that produces products or services that can be easily substituted is endangered by technological advancement or increase of competition. Prices and profits are likely to largely decrease in such market (Kotler and Keller, 2007).

### **Bargaining power of buyers**

The more concentrated and organized customers are, the higher their bargaining power is. Customers are likely to organize in cases when the product is so expensive that it represents a large portion of their total expenses, if the product is not differentiated or the price of switching is too low (Kotler and Keller, 2007).

### **Bargaining power of suppliers**

Attractiveness of the industry is decreasing if suppliers are able to increase price or decrease supplied amount. Suppliers' power increases when they are organized, if there is lack of substitutes or if the price for switching the supplier is too high (Kotler and Keller, 2007).

### **Industry rivalry**

The industry becomes unattractive if there already are too many strong and aggressive competitors. If the industry is in stagnation, increase in production requires extensive investments, fixed costs are too high, there are too high barriers of entry or competitors have strong motivation to keep their market share, the attractiveness of the industry is decreasing (Kotler and Keller, 2007).

### 1.5.3 SWOT

It combines analysis of both macro and micro environment and provides a complex overview. While the results of macro environmental analysis show options that the business has towards its competition based on external parameters, the internal analysis shows and evaluates strengths and weaknesses of the business (Tomek and Vávrová, 2008).

SWOT is acronym for words strengths (characteristics that give business an advantage over its competition), weaknesses (characteristics that place the project into disadvantage compared to others), opportunities (elements that the business can use to its advantage) and threats (elements that could cause trouble). External influences lie within the opportunities and threats, internal capabilities of the company can be found in strengths and weaknesses (Vašítková, 2014).

Strengths of the company are internal conditions that give it some advantage over its competition. It can be clear competence, source or ability that allows it to gain an advantage. Weaknesses are negative internal conditions that could cause lower performance of the organization. An example would be absence of necessary resources or flaws in their acquiring (Košťán, Bělohlávek and Šuleř, 2006).

Opportunities are current or future conditions of the environment that are positive for current or future production of the company. It could be factors such as positive reforms in legal system, increase in population and therefore the potential customers or technological development. Threats are current or future conditions of the environment that are negative to current or future business output. Such threat could be represented by entry of a strong competitor on the market, decline in customer numbers, negative changes in legislation (Košťán, Bělohlávek and Šuleř, 2006).

Chaffey and Smith (2008) introduce SWOT analysis aimed at businesses using the internet as their primary sales channel. They call it e-SWOT and it explores areas connected to e-commerce such as:

- Customer user base – how many customers there are, their structure, spending.
- Online customer support – level of online support, how fast the requests are solved.
- Website – how user friendly the website is.



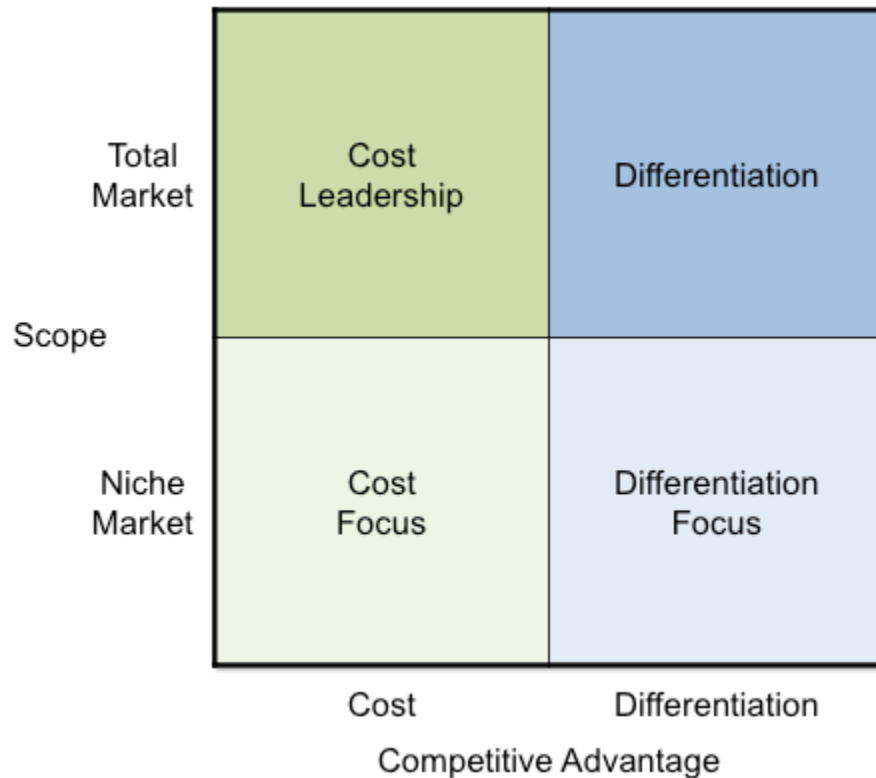
- Integrated database – whether it is possible to connect data from online sales with offline sales and use them both to advantage.
- Email campaigns – what is the click rate and cost to acquire a customer.
- Mobile marketing – effectivity and cost of marketing on mobile devices.
- Interactive TV – finds out whether it is relevant to use interactive TV for the specific market.

#### **1.5.4 Key success factors**

According to Hill (2011), key success factors represent activities that are primary determinants of success within a particular industry. Any company that wants to succeed on a market should discover which factors are crucial for the success and meet them. If the company manages to fulfil those factors it will be successful on the market and keep its strong competitive position. Ultimately, by following and fulfilling the KSF, the company will be able to meet its business goals.

#### **1.5.5 Porter's generic competitive strategies**

A company has a relative position within the industry it operates in which defines its profitability and whether it operates above or below the industry average (Porter, 1985). A competitive advantage is necessary attribute to have if the company wants to find itself performing above the average of the industry. The two basic types of competitive advantages are cost and differentiation. The company then chooses the competitive scope in which it wants apply the competitive advantage and achieve its goals. There are three basic types of generic strategies: cost leadership, differentiation and focus. Furthermore, the focus is divided into cost focus and differentiation focus (Porter, 1985).



**Figure 2: Porter's generic strategies** (Source: Porter, 1985)

If the company chooses the cost leadership strategy, it aims to become the leader of the industry in terms of cost. The source of the cost reduction varies within industries. Areas where it is possible to decrease costs are typically access to cheaper technology than the competition, access to cheap raw materials, efficient logistics or achieving economies of scale (Tanwar, 2013).

However, if the company chooses the differentiation way, it involves making the product different and unique from the competition. In order to be able to differentiate the product, proper marketing research has to be undergone so that properties that customers are looking for are achieved (Tanwar, 2013).

Lastly, by choosing the focus strategy (sometimes also called niche strategy), the company puts attention to a selected market. By focusing on a selecting market and preparing tailored solutions that meet its requirements helps to satisfy customers of that market. This strategy is suitable for smaller companies and industries where the competition is not fierce (Tanwar, 2013).

This strategy has two versions. First of the is cost focus where a company seeks cost advantage. The second is differentiation focus where the company seeks differentiation within its segment. (Porter, 1985).

## **1.6 Internet marketing**

Online marketing or marketing on the Internet can be defined in several ways. For example, Stuchlík and Dvořáček (2009) define it as using the Internet services for realization or support of the marketing activities. Chaffey (2006) describes it as application of the Internet and similar digital technologies in order of achieving the marketing goals. Janouch (2010) makes the distinction between online marketing and the Internet marketing – while the Internet marketing is a set of marketing activities that are used on the Internet, the online marketing extends it by adding marketing on devices such as mobile phones or similar. He further lists tools of the Internet marketing:

### **Advertising**

- PPC – pay per click,
- PPA – pay per action,
- Broad advertising,
- Listings in catalogues,
- Sponsored listings.

### **Sales promotion**

- Incentives (contests, sales, coupons),
- Partnership programs,
- Membership programs.

### **Events**

- Online events.

### **Public relation**

- News,

- Articles,
- Online events,
- Viral marketing
- Advergaming (using computer games for advertising).

### **Direct marketing**

- Emailing,
- Web seminars,
- VoIP telephony.
- Online chat.

#### **1.6.1 Inbound marketing**

Hubspot (2015) describes inbound marketing as a process that uses content marketing, marketing of social networks, search engines optimization, email marketing, lead marketing and automated marketing. Miller (2012) says that it is a process that helps the potential customers find a company, often even before he has an interest to buy anything and then turn the interest into high probability of sale.

The principle of inbound marketing is creating such high quality content that customers searching for information about products and services naturally come to the website. This strategy uses the content to lure in potential customers instead of classical Internet advertising such as banners or PPC advertising which may be expensive. This concept is based on the theory of excessive disturbance of advertising content. People are typically exposed to large amount of advertising both in online and offline world. This content is then perceived more like a disturbing element rather than source of information relevant to consumers. In inbound marketing, the potential customer received the information in a moment when he is interested in it and is actively searching for it. The goal is to show the right information at the right place at the right time and use it to persuade the target segment of customers to do the right action – buy the product.

Vyskočil (2013) mentioned a research that has been done on the topic of inbound marketing with following results:

- 30 % of website visitors come from search engines
- 25 % of visitors come from social networks
- 12 % of visitors come from hyperlinks located on various websites
- 25 % of visitors come to the website directly by entering its URL
- 8 % of visitors arrive from paid advertising.

As the research shows, large portion of visitors comes from unpaid sources.

### **1.6.2 Content marketing**

Most customers try to minimize effect of advertising on them. Companies noticed that traditional marketing is losing its effect and started for new ways to market – the content marketing is what they created. Definition of content marketing is not completely clear yet. Content Marketing Institute (2016) describes it as an art to know how to communicate with sympathisers and customers without selling them anything. It is a form of unforced marketing. Brian Clark (2013) introduces more extensive definition and claims that the goal of content marketing is to create and share valuable content free of charge in order to attract Internet users that could be potential customers. The content being created is closely connected to the product that the company makes. In other words, the company tries to educate people in a way that they know it, like it and trust it enough to make a purchase.

Procházka and Řezníček (2014) identify 4 points of content marketing:

- Strategy of publishing information that of potential customers' support trust in the brand
- Content marketing is a way of building relationships and community that likes the brand
- It is a marketing strategy which should help the company to become the leader of its industry
- The company is able to sell products without traditional “enforced” sales channels.

The content marketing is a part of long term strategy where results are seen after months to years of work. It is not sufficient enough to only create the content. There is a need for having a content strategy with measurable goals and clear aims. Because most of the advertisements are irrelevant to the consumer, a lot of money is allocated ineffectively. Consumers developed “blindness” for these adverts and distrust to the companies using them (Procházka and Řezníček, 2014).

Procházka and Řezníček (2014) claim that the content marketing helps to grow the whole company by helping to acquire new business relationships and inquiries. According to Hubspot (2015) websites with 401 – 1000 pages have 600 % more inquiries compared to websites with 51 – 100 pages. Contrary to the traditional forms of paid marketing, the content marketing requires investments only when the content is being created, possible when promoted. From the long term point of view, using the content marketing approach can save money.

Increasing amount of quality content drives in more inquiries, but there must be processes in place to serve those inquiries. It is necessary to publish content that is interesting for the people, pick right keywords for search engines. Publishing professional articles may also establish authority in the field. Quality content also creates natural backlinks and is often being shared.

### **1.6.3 Copywriting**

Copywriting or writing of advertising texts is according to Křížek and Crha (2008) natural part of creating a website. Role of copywriter is as much important as role of programmer or graphic designer, although many underestimate it and prefer visual appearance of the website. The website should in the first place clearly inform the customer. He must be able to navigate quickly, so the right keywords have to be used. Information on the website must be logically split into subpages. Texts cannot be too long, because Internet users lose their attention quickly.

#### **1.6.4 Affiliate marketing**

Affiliate marketing represents a model when a partner directs potential customer to the website and receives a commission if a sale follows. The visitor can be referred from other website, social networks, paid advertising, etc. It is a way where both the company and the affiliate partner make money. The commission is usually set as a percentage of the sale, so contrary to classical advertising, there is no expense for placing the ad anywhere. This way of advertising might be more effective for the company and the partner has higher motivation to place advertising on a visible position, because he increases probability of conversion and hence the payout (CJ Affiliate by Conversant, 2012).

## **2 CURRENT STATE ANALYSIS**

This part of the thesis uses theoretical foundations from previous chapters to analyse current situation of Shirt Up, s.r.o.

### **2.1 Introduction to the industry**

The company operates in custom apparel industry (referred as CAI), mainly printing on t-shirts and hoodies. It is an interesting industry as it combines both fashion and manufacturing elements. It might not seem lucrative on a first sight, but there are cases that prove otherwise. One of them being a recent sale of t-shirt producer Represent (represent.com) for a sum close to \$100 million. This trade has happened only seven months after the company started to operate. It was a unique strategy that made this company so valuable. It designed t-shirts for various charitable occasions and got endorsed by celebrities. Even though that part of the selling price was subsequently donated to the charity, the company was still left with good profit (Tepper, 2016).

Another example could be successful American company Teespring which sells over 7 million t-shirts a year. Its success lies once again in the strategy – it lets anyone design a t-shirt which can be promoted on the internet and the author receives a commission from each sale. This strategy proved to be very successful within various Facebook groups (Bloomberg, 2015).

### **2.2 About the company**

Shirtup, s.r.o. is a company based in Slovakia which operates e-shop on the url shirtup.sk. It was founded in 2012 (Orsr.sk, 2016), but operated only for a few months in CAI and then became inactive until the late 2015. It is currently managed by its three founders and has a single student part time worker who performs the printing and packaging. Its current revenue since the opening in late 2015 is around 4000 - 5000 EUR a month with monthly profit of around 2400 – 3000 EUR. The target revenue for the year 2016 is 50 000 EUR.



The company recently started to think about developing international operation and is considering entering the Czech market for its close geographic location and inexistent language barrier. However, it is unsure about its marketing strategy (Appendix 1).

Inventory of the e-shop is composed of t-shirts and hoodies in three segments:

- unique designs created by Shirt Up, s.r.o.,
- designs provided by partners who promote them and receive commission from sold items,
- designs provided by customers to manufacture custom items for them (ShirtUp.sk, 2016).

Partners are awarded with approximately 50% of net profit they generate. This is the sale channel where absolute majority of orders comes from. On the other hand, there is synergic effect and customers who buy items promoted by partners sometimes purchase an item from different product segments (Appendix 1).

## **2.3 SLEPT analysis**

Author has chosen SLEPT analysis to analyse the macro environment of the company. This analysis is used to audit environmental influences to guide the company through strategic decision making. Its acronym stands for the parts that the analysis is composed of: political, economic, social, technical, legal, environmental (CIPD, 2015).

### **Political factors**

The Czech Republic is a parliamentary democracy and the country emerged on January 1<sup>st</sup> 1993 by splitting of Czechoslovakia (CIA, 2016). It is a member of the EU since 2004 which means there is a free movement of people, capital and goods. It is a member of NATO since 1999 (BBC News, 2016).

Corruption is still persistent in Czech politics and 73% of respondents in the latest survey by Transparency International (2013) claimed that Czech politicians were extremely corrupt. Funding of political parties is far from being transparent (Bureš, 2013) and there have been numerous political scandals (Scott, 2012).

One of the most controversial present political figure is Finance Minister Andrej Babiš (Cichowlas and Foxall, 2015) who is in constant conflict of interests as he owns Agrofert - the third largest company in the Czech Republic by revenue (Deloitte, 2015) which receives the highest EU subsidies (České Noviny, 2015). He currently faces investigation by The European Anti-Fraud Agency (IntelliNews, 2016).

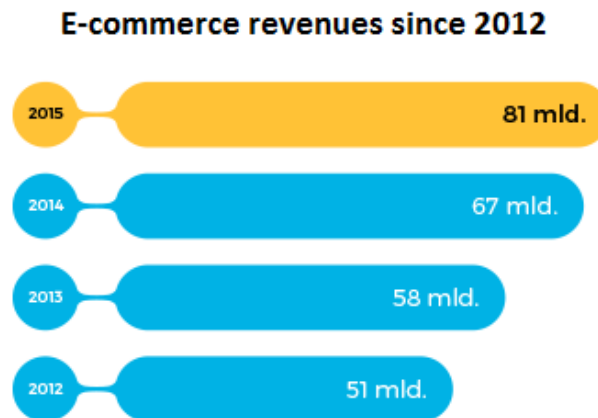
Foreign policy of President Zeman is pragmatic (Prague Monitor, 2016) which recently created friendly environment for influx of Chinese investments (Yan, 2016).

### **Economic factors**

The official currency is Czech Crown. As a member of the European Union, Czech Republic is expected to adopt euro, but there is no political will to adopt it at this moment (Radio Prague, 2016). In order to support the economy and prevent deflation, the Czech National Bank depreciated the Czech Crown against Euro to exchange rate of 1 EUR = 27 CZK in the end of the year 2013 and it has been actively intervening against Czech Crown's appreciation since then (Strauss, 2013) - so there is currently low risk of exchange rate fluctuation. The end of intervention regime is currently planned for middle of the year 2017, but it has already been postponed several times in the past (Erste Corporate Banking, 2016).

Czech Republic has the second lowest unemployment rate in the EU which is 4.5% (European Commission, 2016). The low unemployment rate creates pressure on growth of wages (CNB, 2016) and from the employer's perspective, it makes finding new employees more challenging than ever before (Lindner, 2014). Average gross salary is approximately 28 000 CZK (Czech Statistical Office, 2016).

There is high growth of e-commerce revenue in the Czech Republic. The total yearly revenue grew from 51 billion CZK in 2012 to 81 billion CZK in 2015 which is more than 58% growth over 4 years.



**Figure 3: E-commerce revenue growth** (Source: Apek, 2016)

Expected e-commerce revenue for the year 2016 is 93-97 billion CZK. Czech customers started to shop online for new segments of goods that were previously unavailable in e-shops such as groceries and health care items (Johnston, 2016).

Segment of fashion is the third largest one in demand of customers, but is the first one in offer of e-shops (Shoptet, 2016) which means that it is a highly competitive niche. However, two thirds of Czechs spend less than a thousand crowns on fashion monthly (Best Communications, 2015).

Average order has value of 1454 CZK, contains 1.7 items and average shopper spends yearly 6423 CZK on online shopping (Shoptet, 2016). Czech customers are known for relatively low spending on fashion and clothing items though (Novák, 2014).

### **Social factors**

Czechs are sceptical to new e-shops and websites generally. It is important to appear trustworthy and have localized interface. Factors like ability to communicate in Czech language, having a Czech contact information such as phone number and showing prices in Czech Crowns are a key role in influencing the shoppers' behaviour. Moreover, unlike most of the western world, the preferred option of payment is cash on delivery and not online payment by credit/debit card (Jizerova, 2016).

The most popular delivery option when shopping online is parcel service of Czech Post (Shoptet, 2016).

Out of the 10.5 million population, only 3.7 million people currently shop online (Ecommerce Europe, 2015), Women are more like to shop online than men, they shop more often and spend more money (Shoptet, 2016).

### **Technological factors**

79% of households have internet access which is slightly below the average of the EU's 83% (European Commission, 2015).

There are 8.4 million internet users which is around 80% of total population and 4.5 million people have a Facebook account (Internet World Stats, 2013).

Recent internet speed measurement by Seznam.cz shows that 80% of people have a connection slower than 10 mbps (Institute for Digital Economy, 2015) which is far from the plan of the EU to have half of all internet subscribers with speed of 100 mbps or higher by the year 2020 (European Commission, 2016).

### **Legal factors**

As the member of the EU, Czech Republic enjoys advantages of free movement of people, goods and capital within the member states (European Commission, 2015).

Legislation is harmonized within the EU to great extent (European Commission, 2016), foreign companies are often discouraged by excessive bureaucracy (Fraňková, 2014).

EU regulation No 1007/2011 states that textile products are obliged to contain a label which clearly states material composition. There is no legal obligation to show care instructions, if they are shown though, they must be accurate (Citizens Information, 2013).

Rights of consumers are protected by The Czech Trade Inspection Authority which inspects businesses and individuals who sell goods or provide services on the Czech market (The Czech Trade Inspection Authority, 2013).

The consumer has a right to cancel the order and return the goods within 14 days after their delivery when shopping online (Europa, 2016).

**Table 2: SLEPT summarization**

Political factors	Economic factors	Social factors
parliamentary democracy	CZK as a currency	scepticism
EU member	intervention	women shop more than men
fairly high corruption	low unemployment	3.7 million online shoppers
open to foreign investment	gross salary 28,000 CZK	fairly low fashion spending
	e-shops booming	

Technological factors	Legal factors
8.4 million Internet population	single EU market
4.5 million Facebook accounts	14 days to return the order
average speed below 10 mbps	

(Source: Own interpretation)

## 2.4 Key success factors of the industry

This chapter contains key success factors of CAI in the Czech market, which are divided in several categories. Most of these factors could be generally applied to any e-commerce project.

### Technology

Well-designed e-shop that is easy to navigate and communicates in the local language of the customer (Jizerova, 2016).

Fast loading times of the e-shop and search engine optimization to appear on the top positions in search engines (Shaw, 2012).

Website optimised for mobile devices (Fabian, 2015).

### Marketing

Online advertising through email, social media, search engine optimization and CPC advertising (Bailis, 2015).

Sales promotion through affiliate marketing and people popular on social networks such as Facebook and Instagram (Zorzini, 2015).

Post sale customer care and warranty, option to exchange the product for example if the size is wrong.

Building a user base of returning customers (Fabian, 2015).

Working with price comparison tools in order to get user reviews and gain more trust (Jizerova, 2016).

### **Distribution**

Tuned processes enabling to ship the order as fast as possible (Gilmore, 2014).

Variety of shipping options that is popular in the Czech market (Shoptet, 2016).

### **Pricing**

Pricing should be shown in local currency with favourite payment methods (Jizerova, 2016).

Shipping price should be as low as possible, ideally free (Gilmore, 2014).

### **Product**

Ability to design products that people like, which is highly subjective property.

High range of customization options – different shirt colours and types.

Clear description of the product (Fabian, 2015).

**Table 3: KSFs summarization**

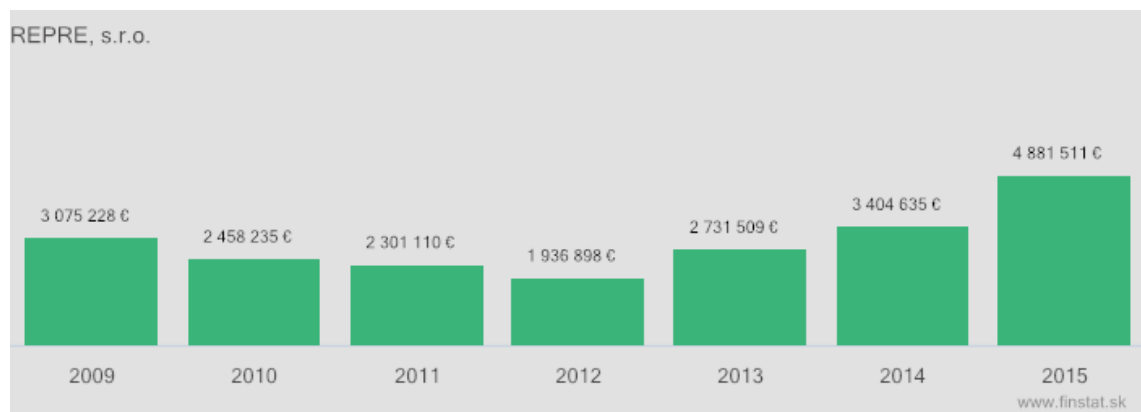
Technology	Marketing	Distribution
well-designed and user friendly e-shop	online advertising	fast shipping
fast loading	affiliate marketing	variety of shipping options
mobile devices optimization	post customer care	
	user base of returning customers	
	working with price comparison tools	
Pricing	Product	
local payment methods	clear descriptions	
cheap shipping, ideally free	high variety of customization options	
	ability to design the product	

(Source: Own interpretation)

## 2.5 Analysis of competitive environment

### 2.5.1 Suppliers

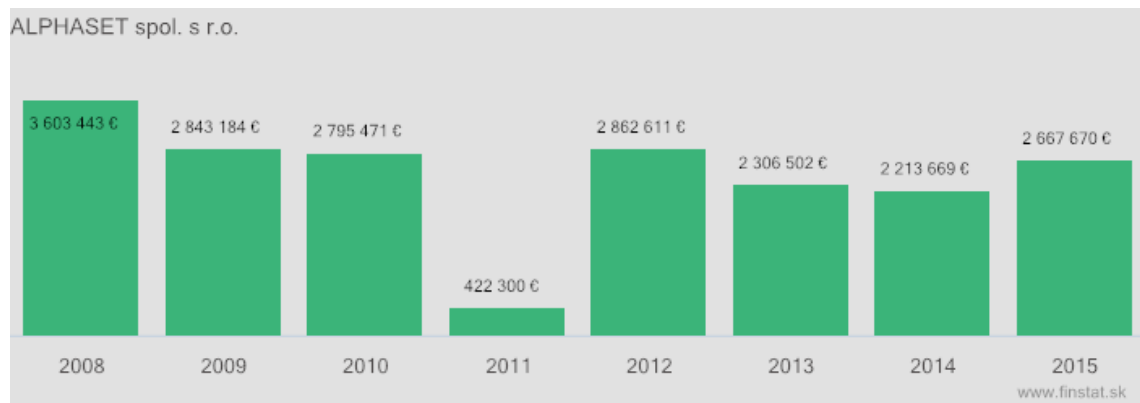
The most important material that the company buys is single colour t-shirts and hoodies that it uses for printing. The only supplier of t-shirts is wholesaler Repre s.r.o. (repre.sk). Shirt Up keeps stock of 100 - 200 t-shirts and hoodies in various sizes, models and colours. Price of t-shirt is around 2.00 EUR, hoodies typically cost around 8 EUR.



**Graph 1: Revenue of Repre s.r.o.** (Source: Finstat.sk, 2016)

As seen from revenues of Repre s.r.o., Shirt Up is very small customer and is unlikely to receive any discounts or preferential treatment.

Another important material for manufacturing process is foil that is used for printing. These are bought from ALPHASET spol s.r.o. (alphaset.sk) in bulks of 100 pieces for 43 EUR.



**Graph 2: Revenue of ALPHASET spol s.r.o.** (Source: Finstat.sk, 2016)

Once again, Shirt Up is only a minority customer creating fraction of turnover of this supplier.

Third material that is needed is toners for the printer. Shirt Up chose to use renovated toners instead of brand new original HP toners. It deemed that the quality is comparable, while the price difference is astonishing. A set of 4 toners (cyan, magenta, yellow, black) costs 78.60 EUR including shipping when bought from e-shop tonerydotlaciarne.sk, compared to nearly 400 EUR considering the brand new ones.

Other than that, Shirt Up buys plastic envelopes (8 EUR / 100 pieces) that are used for shipping, sticky papers (6 EUR / pieces) that are used for address label on the envelope and office paper (3 EUR / 500 pieces) that is used mainly for printing invoices. These supplies are being bought at the local office supplies.

### 2.5.2 Customers

Shirt Up generally focuses on younger customers. Shirt Up provided summarized data (Appendix II) about 1116 orders made between January 1<sup>st</sup> 2016 and May 31<sup>st</sup> 2016 containing information about the customer gender, country of origin, average value of the order. However, it is impossible to find out age of the customer from data that Shirt Up possesses.

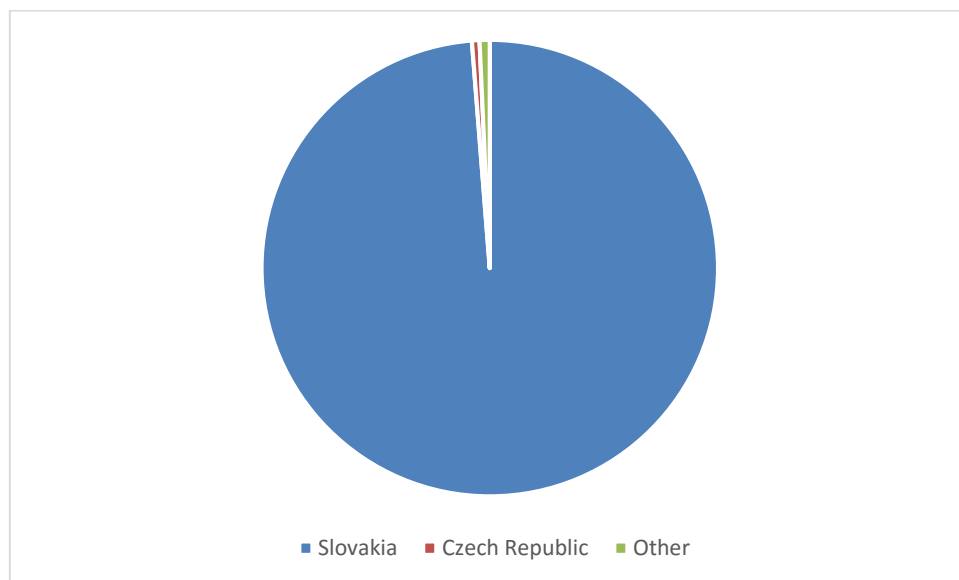


**Table 4: Orders overview**

Total orders	1116
Total revenue	21 605,10 €
Average order value	19,36 €
Returned orders	16

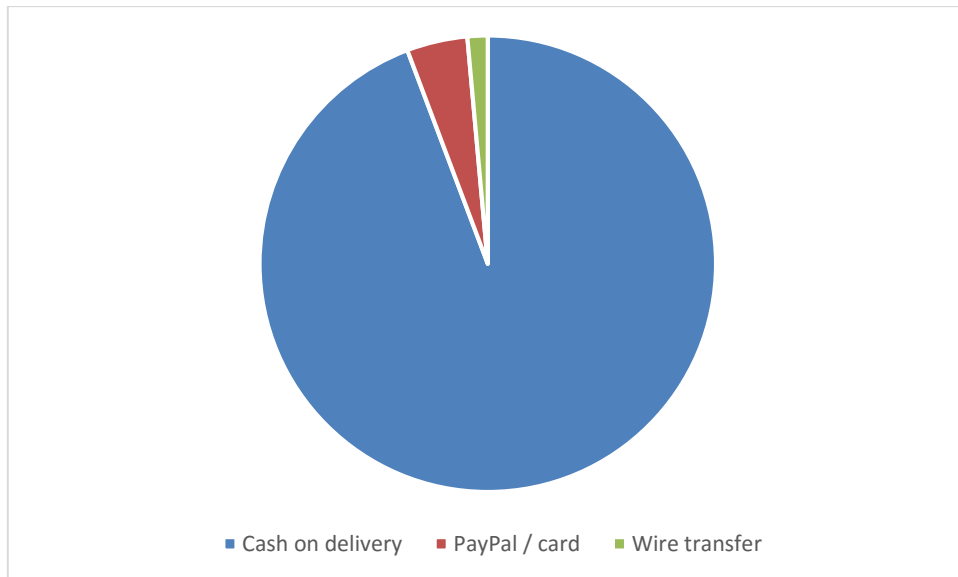
(Source: Appendix II)

Table stating how many orders there were made in total during the watched time frame, total revenue, average order value and returned orders. Order value includes price of shipping. E-shops selling fashion items usually have rather large return rates (Ratcliff, 2014), Shirt Up manages to keep the return rate very low.



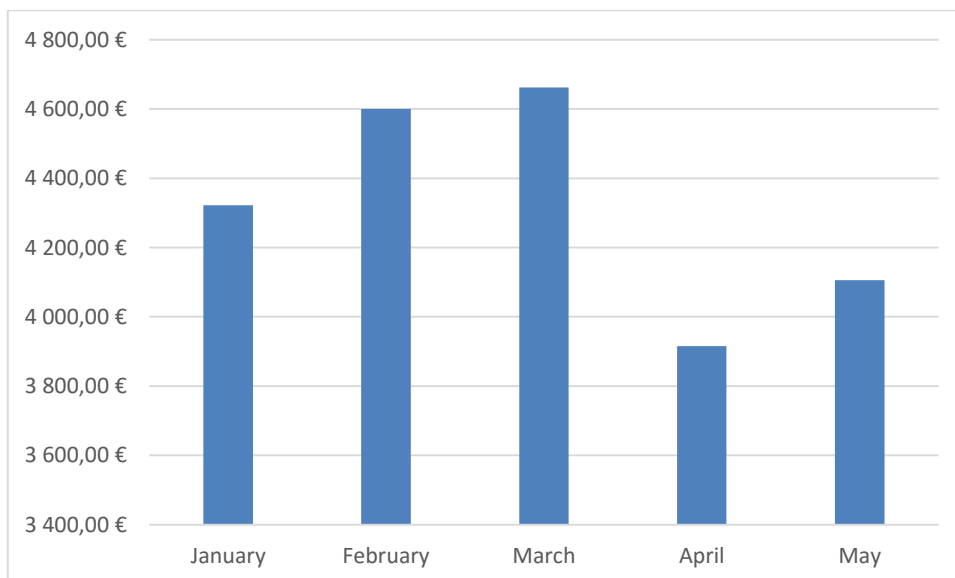
**Graph 3: Orders by country** (Source: Own interpretation according to to Shirt Up)

As seen from the graph, orders made to countries outside of Slovakia are minimal at the moment. Out of 1116 orders, 6 are made to the Czech Republic and 8 to other countries.



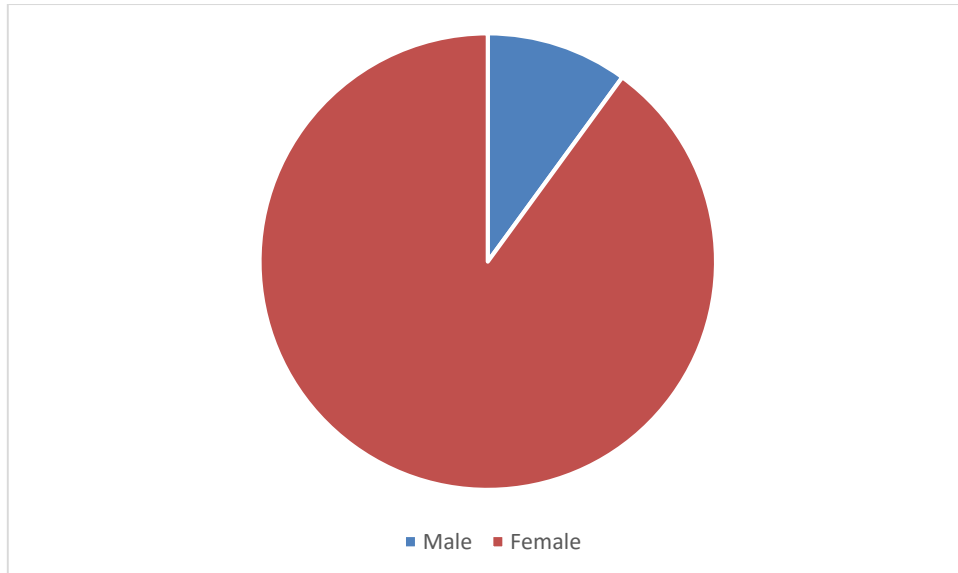
**Graph 4: Payment options used** (Source: Own interpretation according to to Shirt Up)

The most popular payment option is cash on delivery, with absolute majority of orders (1052) paid by it. PayPal was used in 48 orders and the least popular option is wire transfer that was used for 16 orders only.



**Graph 5: Monthly revenue** (Source: Own interpretation according to to Shirt Up)

Monthly revenue in the watched time frame of the year 2016 is more-less evenly spread into all months and ranges from 3915 EUR in April to 4661.80 EUR in March. The company is on a good way to achieve its 50,000 EUR goal by the end of the year 2016.



**Graph 6: Orders by gender** (Source: Own interpretation according to to Shirt Up)

It is apparent that absolute majority of orders is made by women (1004) in contrast with men (112).

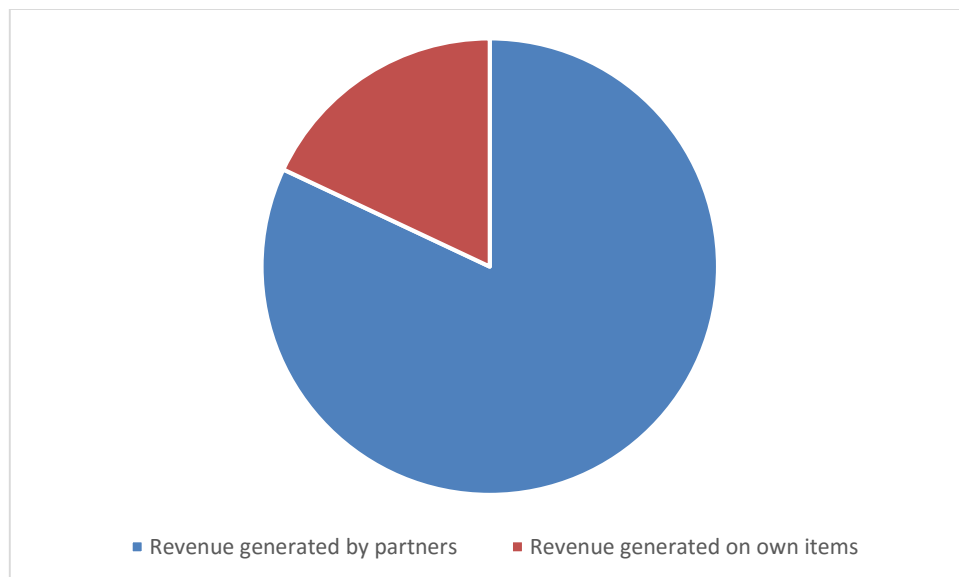
### 2.5.3 Partners

The e-shop has partners that have products designed by themselves in the offer and promote them, mainly on social networks like Facebook, Instagram or interest groups such as bikers, game streamers, etc. There are 7 such partners at the moment and they are rewarded for each sale of their item by roughly 50% of the net income generated by it.

Partners include for example:

- Bianka Rumanová – girl popular among teenage girls, has 36,800 Instagram followers (Instagram, 2016)

- Jana Hrmová – contestant in several reality shows broadcasted in Slovakia, has 33,700 followers on Facebook (Facebook, 2016) and 60,000 Instagram followers (Instagram, 2016).
- Michal Smutný – popular game streamer who is known under a nickname “Zolik” and has over 43,000 followers on game streaming service Twitch (Twitch, 2016).



**Graph 7: Revenue by source of sale** (Source: Own interpretation according to to Shirt Up)

As seen in the graph, partners are currently responsible for majority of sales (17,716.20 EUR), hence Shirt Up is dependent on them.

#### 2.5.4 Competitors in the Czech market

This chapter contains brief description of main competitors in the Czech market as seen by Shirt Up (Appendix I). Unfortunately, it is not possible to acquire hard data about their revenues, because their accounting statements are not available at the Business registry.

##### **Realgeek.cz**

The e-shop is operated by the company Internet Ninjas s.r.o. (Realgeek.cz, 2016) and was founded in 2013 (Ministerstvo spravedlnosti, 2016). The company is based in the Czech

Republic and the second market it serves is Slovakia, where it uses the export market entry. Its strategy is strictly to work with community around YouTube and Twitch. The website is in Czech language only, but supports pricing both in Euros and Czech Crowns. It operates only in Slovakia and the Czech Republic and offers t-shirts, hoodies and wrist bands.

### **Trikator.cz**

The e-shop is operated by the company TRIKATOR.CZ s.r.o. (Trikator.cz, 2016) and was founded in 2011 (Ministerstvo spravedlnosti, 2016). It operates two language versions of the website – one in the Czech language with the Czech Crown as its currency, the other in Slovak with Euros as its currency. The company is based in the Czech Republic and the second market it serves is Slovakia, where it uses the export market entry. Its strategy is to offer high variety of products and get promoted by affiliate partners who receive 15% commission (Trikator.cz, 2016). Trikator offers t-shirts, hoodies and accessories such as phone covers, bags, glasses.

### **T-shock.eu**

The e-shop is operated by the company T-shock, s. r. o. and is operational since 2007. It contains Czech and Slovak language, accepts Czech Crowns and Euros. The company is based in the Czech Republic and the second market it serves is Slovakia, where it uses the export market entry. Its strategy is to offer highly customizable items and work with affiliate partners who receive 10% commission. Furthermore, the company supplies other e-shops (T-shock.eu, 2016). T-shock has the highest variety of offered products including various styles of t-shirts for men, women and children. Furthermore, they offer mugs, pillows, teddy bears and other small accessories.

**Table 5: Comparison of e-shops**

Feature / e-shop	trikator	realgeek	t-shock	shirtup
Czech language	yes	yes	yes	no
CZK pricing	yes	yes	yes	no
Cheapest delivery (czk)	49	67	59	116
personal pick up	39	56	39	n/a
affiliate program for webmasters	15%	n/a	10%	n/a
partnerships with YouTubers, etc.	no	yes	no	yes
website optimized for mobile devices	no	no	yes	no
ability to design custom t-shirt	no	no	yes	yes

(Source: Own interpretation according to trikator.cz, realgeek.cz, t-shock.eu, shirtup.sk, 2016)

### 2.5.5 Comparison of Slovak and Czech e-commerce market

This chapter compares publicly available information about Czech and Slovak e-commerce market as a whole.

**Table 6: E-commerce statistics**

Slovakia (2015)		Czech Republic (2015)	
Turnover	703 000 000 €	Turnover	3 000 000 000 €
Yearly growth	15,00%	Yearly growth	20,00%
Number of e-shops	9355	Number of e-shops	38000

Payment methods		Payment methods	
Cash on delivery	57%	Cash on delivery	36%
Personal pickup	16%	Personal pickup	26%
Card payment	15%	Card payment	6%
Bank wire	10%	Bank wire	32%

(Source: Own interpretation according to Čuchna and Shoptet, 2016)

While the Czech Republic has approximately twice the population of Slovakia, its e-commerce market is four times that large in terms of total revenue. The number of e-shops operating on each market corresponds with the total revenue, so revenue per e-shop is approximately the same. However, growth of the Czech market is faster than the growth of Slovak market.

The most popular payment method in both countries is cash on delivery, followed by personal pickup when the customer comes to pick up the order in Slovakia and wire transfer in the Czech Republic. When it comes to card payments, Slovak customers are more likely to use them than the Czech ones. While card payments are on the third place in popularity in Slovakia, they are on the fourth place in the Czech Republic. The least popular payment method in Slovakia is bank wire transfer, contrasting with the Czech Republic where this option is actually the second most often used.

### **2.5.6 Porter's five forces**

Porter (2008) states that in order to be able to successfully compete on the market and make profit, the company must analyse the industry's core structure by considering five forces within the market.

#### **Threat of new entrants**

Even though the Czech Republic is specific by customers not spending much money on fashion and clothing, new brands are entering its market. Some of the foreign brands are discouraged by the country's currency – Czech Crown and would prefer Euros (Novák, 2014).

Monetary expenses for starting the manufacturing process in CAI are rather low (Appendix 1). Expenses for setting up an e-shop are also minimal. Commercial solutions start at several hundred Czech Crowns per month (Vybrat-Eshop.cz, 2016). Basic operation could be started with a free opensource solution which is a popular option on the Czech market and 38% of e-shops use it (Shoptet, 2016).

Overall, the threat of new entrants has been evaluated as high.

#### **Bargaining power of customers**

The inventory is created specifically for the needs of the company and it is unique (Appendix 1), so there is a low chance of finding the same product cheaper elsewhere. Pricing is fixed and there is no chance for a customer to get a discount. Therefore, the bargaining power of customers is low.

### Threat of substitute products

Considering the fashion element of the product, the threat of substitute products may be viewed as medium. Even though that products are mostly unique, there might be always a different product offered by a competitor, that the customer simply likes better.

### Bargaining power of suppliers

Suppliers are wholesalers who have absolute control over their pricing. Turnover created by CAI business is too low to achieve discounts (Appendix 1). Moreover, by analysing the financial stats of the wholesaler used to supply Shirt Up, s.r.o., it appears that the profit margin of the supplier is not more than 3% (Finstat.sk, 2016), so there is not much space for lowering the price. Therefore, the bargaining power of suppliers is high.

### Intensity of competitive rivalry

As seen in the Table 3 and short analysis of each competitor earlier in this work, it appears that each of three competitors has a different strategy and aims at slightly different market segment.

Some competitive rivalry can be seen in case of affiliate program where trikator.cz pays 5% higher commission than older competitor t-shock.eu.

Shirtup's strategy overlap's with at least two of the competitors, so some competition is expected. Therefore, the intensity of competitive rivalry could be seen as medium.

**Table 7: Porter's five forces summarization**

Threat of new entrants		Bargaining power of customers	Threat of substitute products
open source e-shop solutions	low investment needed	fixed pricing	mostly unique products
high		low	medium
Bargaining power of suppliers		Intensity of competitive rivalry	
absolute control		some competition can be seen	
		different marketing strategy	
high		medium	

(Source: Own interpretation)



## 2.6 Analysis of marketing mix

In this chapter, the author performs analysis of Shirt Up's marketing mix in Slovak market.

### 2.6.1 Product

There are 2 base products that Shirt Up has in offer – t-shirts and hoodies. They vary in size, colour, style and print.



**Figure 4: Products** (Source: Shirt Up, 2016)

Another categorization would be into three following categories:

- Items designed by Shirt Up,
- Items designed by partners,
- Items that customers design themselves.

### 2.6.2 Place

Products are shipped to customers using services of Slovak post. Packages are shipped using the first class and typically delivered within Slovakia on the next working day after the day of shipping.

Shirt Up does not offer personal pickup or any other option for shipping.

### 2.6.3 Price

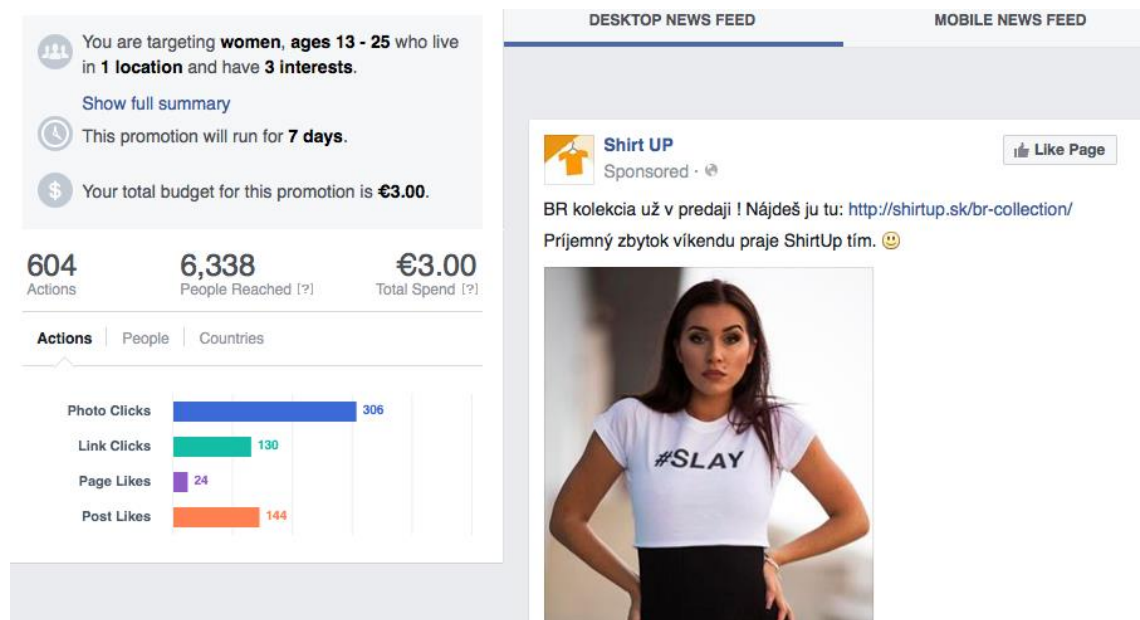
Price of t-shirts with print ranges from 9.90 to 14.99 EUR, while price of hoodies ranges from 14.90 to 27.99 EUR. Price varies based on the style and print. Items that are sold in cooperation with partners are generally placed on higher end of the price scale, because commission has to be paid to them.

### 2.6.4 Promotion

Current promotional activities of Shirt Up are mostly limited to activity on social networks, whether it is directly or through their partners.

## Advertising

Paid advertising is used on Facebook and targeted by gender, age, city and interests.

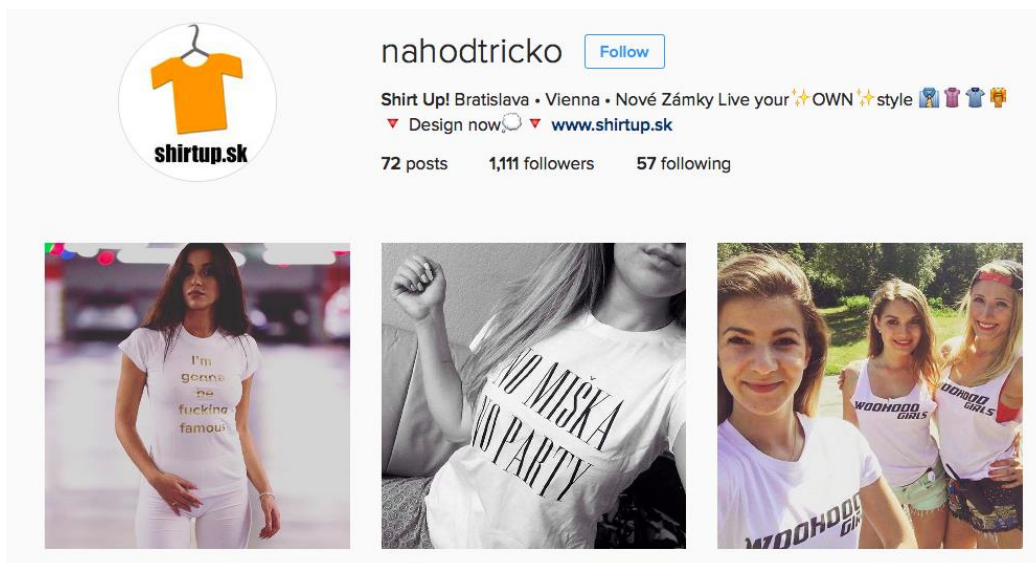


**Figure 5: Facebook advertising** (Source: Facebook, 2016)

Unfortunately, the company does not track any conversions from this source at the moment, nor does it work with any available data from Facebook.

## Publicity

Shirt Up is present on social media such as Facebook and Instagram where it regularly informs followers about new items for sale, upcoming promotions or just posting any kind of interesting content.



**Figure 6: Presence on Instagram** (Source: Instagram, 2016)

## Sales promotion

Shirt Up organizes contests on Facebook where people take participate and win some of the products.



Figure 7: Contest on Facebook (Source: Facebook, 2016)

## Content marketing

There is a blog with articles that may attract some of the Internet visitors.



Figure 8: Blog (Source: Shirt Up, 2016)

Unfortunately, product description is often completely missing.



**Figure 9: Missing product description** (Source: Shirt Up, 2016)

## 2.7 SWOT analysis

This chapter analysis strengths, weakness, opportunities and threats of the company.

### Strengths

Customers have the ability to design their own t-shirt which not only creates a stronger connection between the customer and the product, but also shows the seller what kind of products are demanded by customers (Smets, Langerak and Rijdsdijk, 2013).

Promotion by people popular on social networks is very effective (Bloomberg, 2015).

Margin is high enough so it is possible to invest more into advertising and creating new partnerships (Appendix 1).

Manufacturing process is relatively easy to perform, does not require skilled labour and hence can be accomplished together with packaging by student part time workers (Appendix 1).

### **Weaknesses**

Long delivery time – products are manufactured after the order; no stock is held which makes the delivery time longer (Appendix 1).

Lack of partners in the Czech Republic (Appendix 1).

High price of delivery to the Czech Republic (Appendix 2).

### **Opportunities**

High potential for increase of sales as massive growth of online fashion market is expected (ČT24, 2015).

Possibility to acquire partnerships with many potential partners who are currently not selling their merchandise. Out of the top 50 YouTubers in the Czech Republic, 25 have no partnerships yet (Appendix 5).

Probable appreciation of CZK to EUR after the intervention regime is abandoned in middle of 2017 (Chamonikolas, 2016), which would allow to gain more profit denominated in EUR while keeping the same price in the Czech Republic.

### **Threats**

Low barriers of entry for new competitors, which might encourage other companies to enter the market (Appendix 1).

Relatively high return rate of orders in the fashion industry, usually due to the wrong size of the product (Polesný, 2014).

Relatively high risk that orders delivered with cash on delivery (the most popular option in the Czech Republic) are not picked up (Netshopper.cz, 2010).

Competitive rivalry will increase when Shirt Up enters the Czech market, which might result in lowering the profit margin and/or more aggressive acquisition of new partners (higher commissions).

**Table 8: SWOT summarization**

Strengths		Weaknesses	
ability to design the product		long delivery time	
promotion on social networks		lack of partners in CZ	
high margin		expensive delivery to CZ	
easy manufacturing process			

Opportunities		Threats	
massive growth of e-commerce		low barriers of entry	
potential for partnerships		high order returns in industry	
CZK probable to appreciate		cash on delivery	
		competition may increase	

(Source: Own interpretation)

## 2.8 Findings of the analysis

SLEPT analysis shows that the Czech Republic has stable political environment and considering there are no trade barriers between Slovakia and the Czech Republic, the Czech market is a good candidate for entry supported by marketing activity. Sales generated by e-commerce are rising sharply and are expected to increase significantly in fashion goods too. Unfortunately, the e-shop shirtup.sk does not currently meet recommended attributes such as accepting the local currency Czech Crown or being translated in the Czech language, which would probably discourage Czech customers from ordering goods from it. The Czech Republic does not use euros as its official currency, so there is a currency fluctuation risk. On the other hand, the Czech Crown is expected to appreciate, so this has been evaluated as a positive fact.

Porter's five forces analysis reveals that there are low barriers of entry to the Czech market, which could result in increased competition if new players decide to enter it. On the other hand, the low monetary requirements for establishing an CAI branch create an option to establish a Czech branch which would serve the Czech market. Low bargaining power of customers means that the product pricing can be relaxed, especially when the product is unique and therefore creates stronger connection with the customer. If the pricing would be too high however, it would increase chances of substitution. High bargaining power of suppliers is not a very limiting factor since the materials are already

cheap and the real value of the product is created in design and marketing process. Intensity of competitive rivalry has been evaluated as medium, but this might change with the entry of Shirt Up to the Czech market.

SWOT analysis identifies strengths of the company in ability of customer to design his own product, technology that allows simple printing process, effective promotion on social networks and margin high enough to invest portion of it in more advertising, partnerships, etc. There are visible opportunities in entering the Czech market where sales are expected to increase rapidly. The main weakness that could undermine success of the entry are long delivery time, high price of shipping and currently no Czech partners that could help with promotion. Taking in consideration the low barrier of entry, the company could be threatened by new competitors that can unexpectedly enter the market. Moreover, taking into account longer delivery time, there could be increase in returned or not picked up orders, which would decrease the profit margin.



### **3 PROPOSALS**

The final part of the thesis which contains author's proposals for Shirt Up's marketing strategy when entering the Czech market. Proposals are vastly based on prior analysis that has been undertaken in the previous chapter.

#### **3.1 Goals of the entry**

The aim of the company is to perform a "successful" market entry on the Czech market. This is very vague goal and therefore should be defined exactly – SMART method described in chapter 1.4 can be used.

The goal of the "successful" entry that the author proposes is following:

- Achieve revenue of 1,350,000 CZK from sales in the Czech Republic within 12 months after entering its market.

The target revenue is specific, easily measurable and is relevant to the e-shop. Considering that Shirt Up's goal for 2016 in Slovakia is to achieve turnover of 50,000 EUR, the proposed Czech goals appears to be achievable as the market is twice the size of Slovak one in terms of population and four times the size in terms of turnover. Timing is one year and once again can be compared to current goals in Slovakia.

#### **3.2 Mode of entry**

There were five entry modes mentioned in the theoretical part. Specifically:

- Exporting
- Licensing
- Franchising
- Joint venture
- Wholly owned subsidiary

In this case, the author is inclined to consider exporting or wholly owned subsidiary. The advantage of exporting is that there is no cost needed to enter the Czech market. Production can be retained only in Slovakia and orders shipped from there. On the other hand, this would increase shipping costs and extend delivery time.

Opening a wholly owned subsidiary requires initial investment and is more difficult to perform. The advantage is that Shirt Up would have access to the Czech market directly within it and could use local shipping, which is both faster and cheaper than sending packages from Slovakia. What these two options have in common is absolute control over the operation.

The remaining entry modes are deemed unlikely to be used, because they are unfit for nature and size of this operation.

### **3.3 Market segmentation**

It appears that customers of Shirt Up are generally younger people who want to stand out of the crowd and are looking for clothes that make them differ. As visible on the graph 6, absolute majority of all orders is done by women. Therefore, the main focus should be applied to two segments:

- Girls and boys (youngsters), age between 13 - 18 years, following their idols on social networks.
- Men and women (mostly university students), age between 13 - 24 years, looking for something unique.

These are the two main groups that cover most of Shirt Up's customers.

### **3.4 Marketing mix**

This chapter contains proposed marketing mix using the 4P framework.

### 3.4.1 Product

Some of the current products will need customization to Czech language in order to satisfy the Czech market. Moreover, all products should have a clear description. If Shirt Up cannot do this internally, a copywriter can be hired to do the job.



**Figure 10: Slovak t-shirts** (Source: Shirt Up, 2016)

Shirt Up should also consider extending the product lines. The proposed products to be included are:

- Shopping bags
- Buttons
- Gymsacks
- Mugs



**Figure 11: Product lines extension** (Source: T-shock.eu, 2016)

Current offer of Shirt Up is limited compared with competitors. Therefore, new product lines should be added. Even if these products have smaller potential for profit making than the ones currently in offer, they do have potential to create synergic effect – for example someone who wants to buy a mug ends up buying a t-shirt too. Unfortunately, adding mugs will bring more costs to packaging, because they cannot be shipped in plastic envelopes like textile.

Third proposal regarding the product would be improving possibilities for own product design. While Shirt Up currently offers an option to use own design that will be printed on a t-shirt or a hoodie, it is technically very backwards. Competitors offer tools where a person can choose all aspects of the item, sees the price calculation and can order it right away. This is not the case with Shirt Up, where the customer can choose custom product, but needs to communicate over the email with Shirt Up, while staffer designs an item according to customer's wishes and shows it to the customer for approval. This is time consuming on both sides, costs money and is difficult feature to use. Therefore, it is suggested that Shirt Up creates a tool where the customer could design the product without any external help.



**Figure 12: Design tool** (Source: T-shock.eu, 2016)

### 3.4.2 Place

The company does not plan to open brick and mortar shops and plans to remain its presence as e-shop only. However, because personal pickup is very popular in the Czech Republic (as analysed in Table 4), Shirt Up should definitely add new options of how to deliver the package. Two such services are Zásilkovna and Uloženka.

#### Zásilkovna

A service that can be used to ship orders to pickup places. It has extensive network of 714 shops all around the Czech Republic, Slovakia and Hungary.



**Figure 13: Zasilkovna coverage** (Source: Zasilkovna.cz, 2016)

The cost of shipping to the Czech Republic is 46 CZK if shipped from the country. There is additional fee of 14.50 if cash on delivery service is required (Zasilkovna.cz, 2016).

If shipped from Slovakia, the cost of delivery to the Czech Republic would be 85 CZK, with additional 13.50 for cash on delivery (Zasielkovna.sk, 2016).

As can be seen from the cost, shipping within the Czech Republic would save nearly half the shipping cost.



## Uloženka

Another pickup service popular in the Czech Republic with network of 453 pickup places located in the Czech Republic and Slovakia.

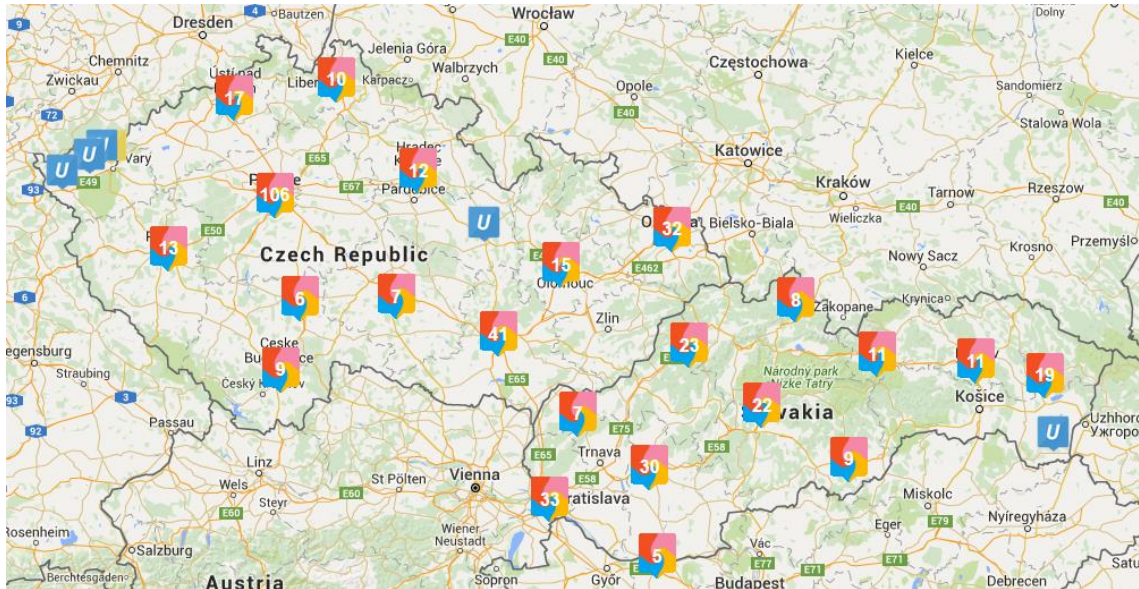


Figure 14: Uloženka coverage (Source: Uloženka.cz, 2016)

It costs 55 CZK to send a package with Uloženka, another 12 CZK if cash on delivery is used (Uloženka.cz). Moreover, it is possible to send packages only from the Czech Republic itself, so it would not be possible to use this carrier for export option of market entry.

## Česká pošta

National post office which has the most extensive network of offices and delivers smaller packages home. Registered letter up to 500 g costs 46 CZK to send and it is possible to obtain discount to 42 CZK if the customer is registered and sends more than 10 packages at once. Cash on delivery service costs additional 12 CZK (Ceskaposta.cz, 2016).

This option can be also used only with fully owned subsidiary located in the Czech Republic.

## Fairs

Even though Shirt Up does not want to open a physical store, it could still be temporarily physically present at events that are highly visited by target segments of customers. It is possible to rent a place at such fairs and sell goods there.



**Figure 15: U Tubing 2016 in Prague** (Source: Zoufalá, 2016)

U Tubing is one of such fairs – it is highly visited event that occurs twice a year. Once in Prague and once in Brno. It ran only for two years, but already has a large base of both visitors and performers. In its second year in Brno, it was visited by over 10,000 visitors and had over 30 performers including the most popular youtubers and other high profile persons of current youth. Visitors were willing to wait hours to take a photo with their idol (Hromková, 2016).

### 3.4.3 Price

Because the range of goods is mostly unique, there is not much pressure to keep the price low. When selling to the Czech market, it is necessary to show the price in Czech crowns. The e-shop currently uses only Euros. With 1 EUR being equal to approximately 27 CZK,

the price of t-shirt that costs 9.90 EUR would be 267.30 in Czech crowns. It is suggested that Shirt Up does not follow strict currency conversion, but uses psychological pricing. Therefore, such price should be rounded up to 269.90 CZK. Not only it is more appealing, but it also increases profit.

Another element connected to price is payment methods that are available in the e-shop. Shirt Up should open a CZK bank account and offer it as option for wire transfers. Moreover, PayPal and card payments should also accept CZK as the main currency when a potential customer from the Czech Republic arrives to its website.

#### **3.4.4 Promotion**

##### **Partners – promoters**

Czech Republic offers a huge amount of Youtubers that are largely popular, but do not promote any goods as their merchandising yet. Analysis shows that out of top 50 Czech Youtubers, 25 of them do not have such partnerships yet (Appendix 5). As seen on the Utubering, these people are hugely popular and hide a great potential to attract more sales.

Another suggestion is to work with fashion bloggers which are popular in the Czech Republic.

##### **Affiliate program**

Two out of three competitors offer affiliate program for webmasters. These can place banners or text ads on their websites and make money by referring new customers. Competitors offer 10 % and 15 % commission. It is suggested that Shirt Up offers 20 %. As a new player in the Czech market, it will have difficult position in penetrating the market and therefore will need to offer premium conditions.

##### **Internet advertising**

This is area that Shirt UP currently greatly ignores while it should be actually the centre point of its marketing activities. Sales of products should be supported by advertising on social media like Facebook and Instagram.



Facebook allows to create targeted ad campaigns that can be used to easily reach to many potential customers. It is possible to filter the ad by following criteria:

- Location – it is possible to filter the audience by country and city
- Demographics – filtering by age, gender, interests and language spoken
- Interests – categories such as music, films, sport, games, shopping, etc.
- Behaviours – shopping behaviour, type of phone owned, etc.
- Connections – reaching people who like your Page and their friends
- Partner categories – filtering by data provided by 3<sup>rd</sup> parties, mainly tracking offline behaviour such buying habits, owning a credit card, etc. - available only in specific markets (Facebook for Business, 2016).

Budget for each such advertisement can be set either on daily basis or as a total budget. Minimal budget is 5 EUR. After the selection of criteria, Facebook shows how many people will be reached by the campaign, depending on its budget. Instagram can be reached directly by the Facebook campaign as both social networks have connected ad platforms.

It is possible to track performance of such ads – measure conversions and see how much revenue money invested in Facebook advertising generated. Shirt Up needs to implement conversion tracking in their e-shop in order to be able to support this feature.

The author suggests to create Facebook campaigns in order to boost sales. Campaigns could be aimed for example at:

- Women 13 – 22 years old, living in Czech Republic, city over 100,000 inhabitants, interested in fashion and shopping.
- Men 13 – 22 years old, living in Czech Republic, city over 100,000 inhabitants, interested in fun.



**Figure 16: GEO targeting cities over 100,000 inhabitants** (Source: Facebook.com, 2016)

While the age and gender correspond with target segments chosen in chapter 3.3., cities over 100,000 inhabitants were chosen to narrow down focus to areas with higher disposable income (Platy.cz, 2016). It should be possible to increase sales while investing not more than 20 % of the sale price in advertising.

Another idea is to cooperate with popular fashion bloggers. It is often possible to get a review of product on a blog of smaller fashion blogger just for sending them the product. Higher profile fashion bloggers may require a payment too.

Lastly, Shirt Up could hire a copywriter to write articles about fashion on its blog, which would create interesting content and bring highly targeted search traffic.

### **3.5 Marketing mix options based on entry mode**

This chapter makes comparison of which proposed marketing mix improvements are possible to implement based on selected entry mode.

**Table 9: Marketing mix based on entry mode**

	Export	Subsidiary
<b>Product</b>		
Czech translations and copywriting		
Product line extension		
Product design tool		
<b>Place</b>		
Zásilkovna		
Uloženka		
Česká pošta		
Fairs		
<b>Price</b>		
Pricing in CZK		
<b>Promotion</b>		
Partners - promoters		
Affiliate program		
Internet advertising		

(Source: own interpretation)

As seen from the table, the only difference from the point of view of marketing mix would be attributes of “place” where it would not be possible to use Uloženka or Česká pošta if the export method was used. While it does not pose much difference from the marketing mix point of view, there is a difference in terms of shipping cost and speed of delivery.

### 3.6 Price and time estimation

This chapter will sum up steps that have to be undertaken in order to enter the Czech market.

#### 3.6.1 Export

In case the company chooses to export its product to foreign market, it will have several incurred costs:

- E-shop customization to the Czech market – pricing in CZK, Czech payment methods – 2700 EUR (Appendix 6)

- Product description copywriting and translation - 150 EUR (Webtrh.cz, 2016)
- Blog article written by copywriter once a week – 200 EUR total (Webtrh.cz, 2016)
- Increased cost of labour for doubling the production – 200 EUR / month.
- Promotional activities totalling around 20% of revenue, which means that more focus should be placed on own promotional activities rather than relying on partners.

The most important entry step in this option is adjusting the e-shop software. It is estimated that this step would take up to 2 months (Appendix 6). Other adjustments can be worked on during this process, so the actual entry could happen within the 2 months after deciding so.

The actual investment needed in the start totals 2850 EUR, other costs depend on the sales and would be spread based on the revenue.

### **3.6.2 Wholly owned subsidiary**

If the company decides to undertake this option, it will incur the same costs as with exporting, increased by costs of creating the physical presence in the Czech Republic. This includes:

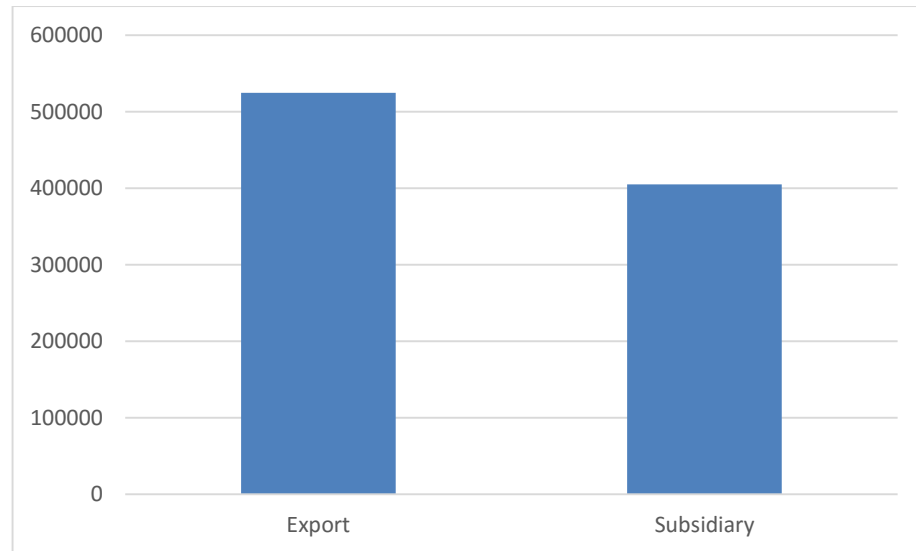
- One-time fee to create the legal entity – 10,000 CZK (Profi-kancelar.cz, 2016)
- Yearly accounting fee and company administration – 10,000 CZK (estimate)
- Office / manufacturing space – 5000 CZK / month
- Equipment – 40,000 CZK

In the case of subsidiary, Brno would be chosen for the incorporation, because one of the company owners lives in Brno and could oversee the operation easily.

It is estimated, that this option would take 1 month longer than preparing for the export, since it requires finding a legal entity and looking for space that can be used. In terms of price, it is 120,000 CZK more expensive, totalling around 200,000 CZK.

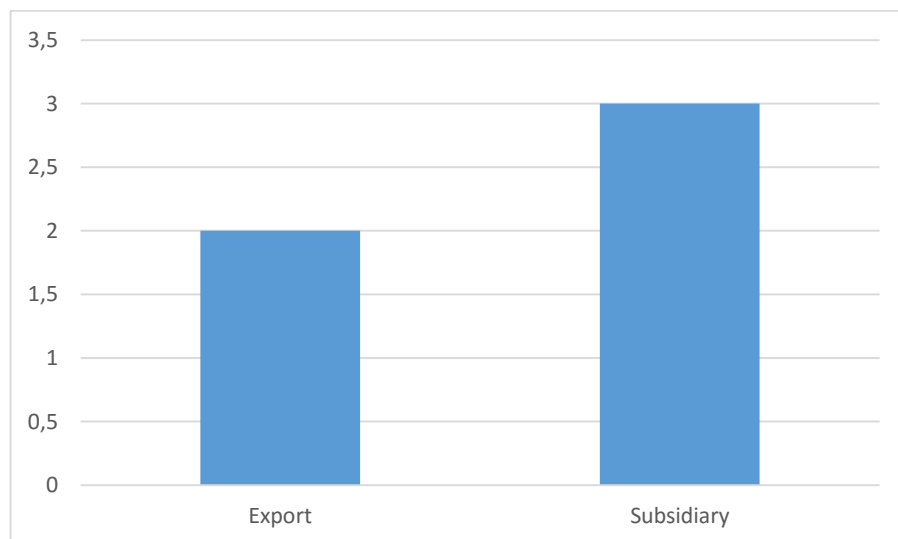
### 3.6.3 Comparison

The following graph compares initial investment needed for both variants (in CZK).



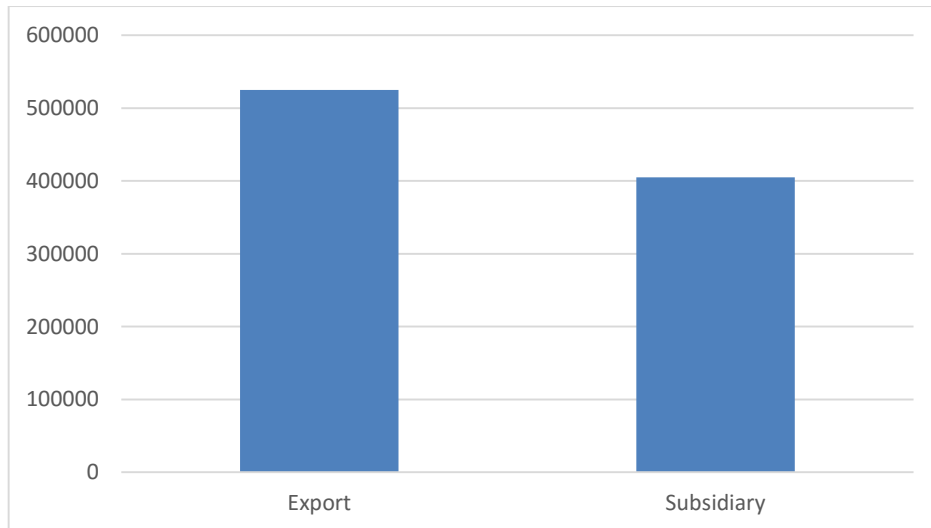
**Figure 17: Initial investment** (Source: Own interpretation)

Time investment needed for each option is illustrated in the following graph.



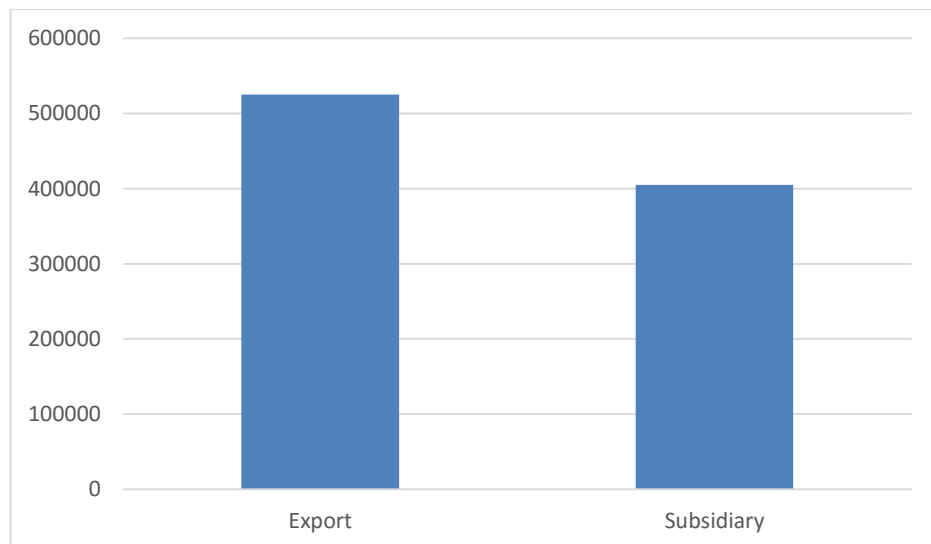
**Figure 18: Time investment** (Source: Own interpretation)

If we presume the target revenue of 1,350,000 CZK will be met within 1 year of the entry with costs as described in chapters 3.6.1 and 3.6.2, the following total costs will be incurred.



**Figure 19: Projected total cost** (Source: Own interpretation)

In case that the average production cost will be 30% of selling price, this would be achieved profit.



**Figure 20: Projected profit** (Source: Own interpretation)

### **3.7 Risks, limitations and further tips**

Every investment brings potential risks, but also the possibility to make profit. The situation is no different with Shirt Up entering the Czech market.

The main risk is that Shirt Up will not be able to reach the targeted revenue. Nevertheless, considering the initial investment in both cases it rather low, it should not make loss in any case.

Further risk involves competition – should the competitors feel threatened at any point, it might result in fierce competition, increasing the cost of advertising, offering better conditions to partners and ultimately lowering the profit.

Third risk involves the production itself – as mentioned, the current technique can be used only for small production. If the company needs to upgrade the technique, it might result in higher production cost and consequently, lower profit. Especially if the company decides to open a subsidiary, these cost will be double.

Limitation that the work did not count with is effect of VAT registration on Shirt Up's business. With targeted revenue, the company will have to register for VAT in both Slovakia and Czech Republic. Considering that it is operating in B2C, VAT registration might have negative effect on the profit.

It is also not clear what operational profit the company currently deals with and there are many variables and product variations. The target is only revenue based, so the easiest solution how to achieve this target would be investing all resources into acquiring more sales. However, the author proposes a solution that has a potential to generate profit which should be comparable with the current company's profit when operating in Slovakia.

The author recommends using the export option in order to enter the Czech market. It is a cheaper option and involves less risks. Once Shirt Up is established on the Czech market and sees that it can indeed achieve planned revenues, it can continue its expansion by establishing the physical subsidiary or work on more effective ways of transport. In the meantime, if Shirt Up wants to offset the negative effect of more expensive shipping from Slovakia, it could subsidize the price of shipping and lower it to level usual in the Czech Republic.

## CONCLUSION

Shirt Up wishes to expand its business to Czech Republic. Entering a foreign market is always a step into unknown. What can be done in order to support success of such move it thorough analysis of the specific conditions on that market from both micro and macro point of view. The author has performed variety of such analysis using the SLEPT framework, followed by analysis of competitive environment aimed at customers, suppliers, partners and competitors. At last, but not least, Porter's five forces framework was used to analyse Shirt Up's position, followed by exploring its strengths, weaknesses, opportunities and threats using the SWOT framework. Crucial part of the analysis included marketing mix of the company.

Based on the results of analytical part, the author proposed marketing strategy that could be in his opinion used to enter the Czech market. The goal of successful entry was set at yearly revenue of 1,350,000 CZK within the first year and exporting option was suggested regarding the type of entry. There were numerous proposals made to the marketing mix of the company that will support the success of its entry to the foreign market.



## BIBLIOGRAPHY

- APEK, A. (2016). *Apek / Asociace pro elektronickou komerci – APEK*. [online] Apek.cz. Available at: <https://www.appek.cz/> [Accessed 12 Jul. 2016].
- Armstrong, G., Harker, M., Kotler, P. and Brennan, R. (2009). *Marketing: An Introduction*. Essex, England: Pearson Education.
- Bailis, R. (2015). *10 Usability Changes to Boost e-Commerce Conversions*. [online] Connexity. Available at: <http://connexity.com/articles-white-papers/10-crucial-usability-changes-to-boost-your-e-commerce-conversions/> [Accessed 18 Apr. 2016].
- BBC News. (2016). *Czech Republic profile - Overview - BBC News*. [online] Available at: <http://www.bbc.com/news/world-europe-17220219> [Accessed 1 Apr. 2016].
- Best Communications. (2015). *Two-thirds of Czechs spend less than a thousand crowns on fashion per month / Best Communications*. [online] Available at: <http://www.bestcg.com/press-releases/two-thirds-of-czechs-spend-less-than-a-thousand-crowns-on-fashion-per-month/> [Accessed 4 Apr. 2016].
- Bloomberg. (2015). *How Your T-Shirt Can Make You Rich*. [online] Available at: <http://www.bloomberg.com/news/articles/2015-04-16/how-your-t-shirt-can-make-you-rich> [Accessed 16 Apr. 2016].
- Bovée, C. and Thill, J. (1992). *Marketing*. New York: McGraw-Hill.
- Bureš, R. (2013). *Too little transparency in new Czech law on political party financing / Space for Transparency*. [online] Transparency International. Available at: <https://blog.transparency.org/2013/05/10/too-little-transparency-in-new-czech-law-on-political-party-financing/> [Accessed 4 Apr. 2016].
- České Noviny. (2015). *Agrofert gains highest subsidies from EU funds --weekly / ČeskéNoviny.cz*. [online] Available at: [http://www.ceskenoviny.cz/zpravy/agrofert-gains-highest-subsidies-from-eu-funds-weekly/index\\_view.php?id=1255626](http://www.ceskenoviny.cz/zpravy/agrofert-gains-highest-subsidies-from-eu-funds-weekly/index_view.php?id=1255626) [Accessed 4 Apr. 2016].
- Chaffey, D. (2006). *Internet Marketing: Strategy, Implementation and Practice*. Harlow: Financial Times Prentice Hall.
- Chaffey, D. and Smith, P. (2008). *EMarketing eXcellence*. Amsterdam: Butterworth-Heinemann.

- Chamonikolas, K. (2016). *Foreign Holdings of Czech Bonds Rise on Koruna Appreciation Bets*. [online] Bloomberg. Available at: <http://www.bloomberg.com/news/articles/2016-01-29/foreign-holdings-of-czech-bonds-rise-on-koruna-appreciation-bets> [Accessed 7 Apr. 2016].
- Chandler, A. (1962). *Strategy and structure: chapters in the history of the industrial enterprise*. Cambridge: M.I.T. Press.
- CIA. (2016). *The World Factbook*. [online] Available at: <https://www.cia.gov/library/publications/the-world-factbook/geos/ez.html> [Accessed 1 Apr. 2016].
- Cichowlas, O. and Foxall, A. (2015). *Now the Czechs Have an Oligarch Problem, Too*. [online] Foreign Policy. Available at: <http://foreignpolicy.com/2015/04/10/now-the-czechs-have-an-oligarch-problem-too-andrej-babis/> [Accessed 4 Apr. 2016].
- CIPD. (2015). *PESTLE analysis*. [online] Available at: <http://www.cipd.co.uk/hr-resources/factsheets/pestle-analysis.aspx> [Accessed 5 Apr. 2016].
- Citizens Information. (2013). *Standards for product labelling*. [online] Available at: [http://www.citizensinformation.ie/en/consumer\\_affairs/consumer\\_protection/product\\_safety\\_and\\_labelling/standards\\_for\\_product\\_labelling.html](http://www.citizensinformation.ie/en/consumer_affairs/consumer_protection/product_safety_and_labelling/standards_for_product_labelling.html) [Accessed 4 Apr. 2016].
- CJ Affiliate by Conversant. (2012). *New to Affiliate*. [online] Available at: <http://www.cj.com/what-is-affiliate-marketing> [Accessed 4 Jul. 2016].
- Clark, B. (2013). *The Mindset that Makes Online Marketing Work*. [online] Marketing Land. Available at: <http://marketingland.com/the-mindset-that-makes-online-marketing-work-39981> [Accessed 4 Jul. 2016].
- Content Marketing Institute. (2015). *CMI: Content Marketing Strategy, Research, „How-To“ Advice*. [online] Available at: <http://contentmarketinginstitute.com> [Accessed 4 Jul. 2016].
- ČT24. (2015). *Trh on-line láká investory. Móda má velký potenciál*. [online] Available at: <http://www.ceskatelevize.cz/ct24/ekonomika/1496316-trh-line-laka-investory-moda-ma-velky-potencial> [Accessed 6 Apr. 2016].
- Čuchna, M. (2015). *Obrat slovenských e-shopů za rok 2015 dosáhne 700 milionů eur (Heureka.sk)*. [online] Channelworld.cz. Available at: <http://channelworld.cz/novinky/obrat-slovenskych-e-shopu-za-rok-2015-dosahne-700-milionu-eur-heureka-sk-15072> [Accessed 1 Jul. 2016].

- Czech Statistical Office. (2016). *Labour and Earnings*. [online] Available at: [https://www.czso.cz/csu/czso/labour\\_and\\_earnings\\_ekon](https://www.czso.cz/csu/czso/labour_and_earnings_ekon) [Accessed 4 Apr. 2016].
- Dedouchová, M. (2001). *Strategie podniku*. Prague: C. H. Beck.
- Deloitte, (2015). *CE Top 500 2015 report*. [online] Available at: [http://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/central-europe/CE\\_Top\\_500\\_2015.PDF](http://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/central-europe/CE_Top_500_2015.PDF) [Accessed 4 Apr. 2016].
- Dooley, R. (2012). *Brainfluence*. Hoboken, N.J.: John Wiley.
- Douglas, S. and Craig, C. (1995). *Global marketing strategy*. New York: McGraw-Hill.
- Douglas, S., Wind, Y., 1987. The myth of globalization. *Columbia Journal of World Business*, 22(4).
- Erste Corporate Banking. (2016). *CNB moves end to forex intervention regime to H1 2017*. [online] Available at: <http://www.erstecorporatebanking.cz/en/investment/cnb-moves-end-to-forex-intervention-regime-to-h1-2017> [Accessed 1 Apr. 2016].
- Europa. (2016). *Guarantees, cancelling and returning your purchases*. [online] Available at: [http://europa.eu/youreurope/citizens/consumers/shopping/guarantees-returns/index\\_en.htm](http://europa.eu/youreurope/citizens/consumers/shopping/guarantees-returns/index_en.htm) [Accessed 5 Apr. 2016].
- European Commission. (2015). *The European Single Market*. [online] Available at: [http://ec.europa.eu/growth/single-market/index\\_en.htm](http://ec.europa.eu/growth/single-market/index_en.htm) [Accessed 4 Apr. 2016].
- European Commission. (2016). *Broadband Strategy & Policy - Digital Single Market*. [online] Available at: <https://ec.europa.eu/digital-single-market/en/broadband-strategy-policy> [Accessed 4 Apr. 2016].
- European Commission. (2016). *Harmonised Standards*. [online] Available at: [http://ec.europa.eu/growth/single-market/european-standards/harmonised-standards/index\\_en.htm](http://ec.europa.eu/growth/single-market/european-standards/harmonised-standards/index_en.htm) [Accessed 4 Apr. 2016].
- European Commission. (2016). *Unemployment statistics - Statistics Explained*. [online] Available at: [http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment\\_statistics](http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics) [Accessed 1 Apr. 2016].
- Facebook for Business. (2016). *Targeting*. [online] Available at: <https://www.facebook.com/business/products/ads/ad-targeting/> [Accessed 10 Jul. 2016].
- Facebook.com. (2016). *Jana Hrmová*. [online] Available at: <https://www.facebook.com/jana.hrmova.18> [Accessed 5 Jul. 2016].

- Facebook.com. (2016). *Shirt UP*. [online] Available at: <https://www.facebook.com/shirtup1> [Accessed 5 Jul. 2016].
- Finstat.sk. (2016). *ALPHASET spol. s r.o. - zisk, tržby, hospodárske výsledky a účtovné závierky*. [online] Available at: <http://finstat.sk/31325611> [Accessed 5 Jul. 2016].
- Finstat.sk. (2016). *REPRE, s.r.o. - zisk, tržby, hospodárske výsledky a účtovné závierky*. [online] Available at: <http://finstat.sk/35810122> [Accessed 5 Jul. 2016].
- Fraňková, R. (2014). *Foreign companies discouraged by excessive bureaucracy*. [online] Radio Prague. Available at: <http://www.radio.cz/en/section/business/foreign-companies-discouraged-by-excessive-bureaucracy> [Accessed 4 Apr. 2016].
- Gilmore, N. (2014). *9 E-commerce trends in 2015 that influence buyer experience*. [online] Shipwire.com. Available at: <https://www.shipwire.com/w/blog/9-e-commerce-trends-2015-influence-buyer-experience/> [Accessed 16 Apr. 2016].
- Grasseová, M. (2012). *Analýza podniku v rukou manažera: 33 nejpoužívanějších metod strategického řízení*. 2nd ed. Brno: Computer Press.
- Gregory, A. (2010). *Planning and managing public relations campaigns*. London: Kogan Page.
- Havlíček, K. (2009). *Úloha manažerů v řízení podniků*. Praha: Vysoká škola finanční a správní.
- Hill, C. (2011). *International business*. New York: McGraw-Hill/Irwin.
- Hromková, D. (2016). *Nadšení dětí, nepochopení rodičů. Youtuberi zaplnili výstaviště v Brně*. [online] iDNES.cz. Available at: [http://brno.idnes.cz/utubering-youtuberi-zaplnili-vystaviste-v-brne-fus-/brno-zpravy.aspx?c=A160506\\_192618\\_brno-zpravy\\_ale](http://brno.idnes.cz/utubering-youtuberi-zaplnili-vystaviste-v-brne-fus-/brno-zpravy.aspx?c=A160506_192618_brno-zpravy_ale) [Accessed 10 Jul. 2016].
- Hubspot. (2016). *Our Story / HubSpot - Internet Marketing Company*. [online] Available at: <http://www.hubspot.com/internet-marketing-company> [Accessed 4 Jul. 2016].
- Instagram.com. (2016). *BIANKA RUMANOVÁ 🐼 (@biankarumanova) • Instagram photos and videos*. [online] Available at: <https://www.instagram.com/biankarumanova/> [Accessed 5 Jul. 2016].
- Instagram.com. (2016). *Jana Hrmová FARMA 7 (@janahrmi) • Instagram photos and videos*. [online] Available at: <https://www.instagram.com/janahrmi/> [Accessed 5 Jul. 2016].

2016].

Instagram.com. (2016). *Shirt Up! (@nahodtricko) • Instagram photos and videos*. [online] Available at: <https://www.instagram.com/nahodtricko/> [Accessed 5 Jul. 2016].

Institute for Digital Economy. (2015). *Institut pro digitální ekonomiku*. [online] Available at: <http://www.digitalniekonomika.cz/news/35-nova-mapa-rychlosti-internetu-cr?lang=en> [Accessed 4 Apr. 2016].

IntelliNews. (2016). *bne IntelliNews - EU anti-fraud agency eyes Czech finance minister's conflicts of interest*. [online] Available at: <http://www.intellinews.com/eu-anti-fraud-agency-eyes-czech-finance-minister-s-conflicts-of-interest-88035/> [Accessed 4 Apr. 2016].

Internet World Stats. (2013). *European Union Internet Usage and Population Stats*. [online] Available at: <http://www.internetworldstats.com/europa.htm> [Accessed 4 Apr. 2016].

Janouch, V. (2010). *Internetový marketing*. Brno: Computer Press.

Jeannet, J. and Hennessey, H. (1988). *International marketing management*. Boston: Houghton Mifflin.

Jizerova, J. (2016). *How To Grow Ecommerce Sales In The Czech Republic*. [online] Webcertain Group. Available at: <http://blog.webcertain.com/how-to-grow-czech-ecommerce-sales/12/02/2016/> [Accessed 4 Apr. 2016].

Johnston, R. (2016). *Czech e-commerce exceeded expectations*. [online] Prague Post. Available at: <http://praguepost.com/economy/51439-czech-e-commerce-exceeded-expectations+&cd=1&hl=en&ct=clnk&gl=cz> [Accessed 4 Apr. 2016].

Konečný, M. (2005). *Podniková ekonomika*. Brno: Akademické nakladatelství CERM.

Košťáň, P., Bělohávek, F. and Šuleř, O. (2006). *Management*. Brno: Computer Press.

Kotler, P. (1999). *Kotler on marketing*. New York: Free Press.

Kotler, P. and Keller, K. (2007). *Marketing management*. Praha: Grada.

Křížek, Z. and Crha, I. (2008). *Jak psát reklamní text*. 3rd ed. Praha: Grada.

- Lindner, S. (2014). *Low Unemployment Rate Sparks New Tactics for Recruiters*. [online] The Work Place Group. Available at: <http://www.workplacegroup.com/low-unemployment-rate-sparks-new-tactics-recruiters/> [Accessed 4 Apr. 2016].
- Mazal, T. (2016). *Interview about Shirt Up, s.r.o.*
- Miller, M. (2012). *B2B digital marketing*. Indianapolis, Ind., USA: Que.
- Ministerstvo spravedlnosti. (2016). *Veřejný rejstřík a Sbírka listin*. [online] Available at: <https://or.justice.cz/ias/ui/rejstrik-firma.vysledky?subjektId=229560&typ=PLATNY> [Accessed 14 Apr. 2016].
- Ministerstvo spravedlnosti. (2016). *Veřejný rejstřík a Sbírka listin*. [online] Available at: <https://or.justice.cz/ias/ui/rejstrik-firma.vysledky?subjektId=698627&typ=PLATNY> [Accessed 14 Apr. 2016].
- Mintzberg, H. (1978). Patterns in Strategy Formation. *Management Science*, 24(9), pp.934-948.
- Netshopper.cz. (2010). *Objednané, leč nevyzvednuté zboží. Jak bojovat proti vráceným balíkům? | netshopper.cz*. [online] Available at: <http://www.netshopper.cz/rady-a-navody/objednane-lec-nevyzvednute-zbozi-jak-bojovat-proti-vracenym-balikum.aspx> [Accessed 5 Jul. 2016].
- Novák, D. (2014). *Na český trh přicházejí nové módní značky*. [online] E15.cz. Available at: <http://zpravy.e15.cz/byznys/obchod-a-sluzby/na-cesky-trh-prichazeji-nove-modni-znacky-1075882> [Accessed 7 Apr. 2016].
- Platy.cz. (2016). *Nejvyšší platy podle očekávání v Praze, Ostrava až za menšími krajskými městy - Platy.cz*. [online] Available at: <http://www.platy.cz/analyzy/nejvyssi-platy-podle-ocekavani-v-praze-ostrava-az-za-mensimi-krajskymi-mesty/50146> [Accessed 10 Jul. 2016].
- Polesný, D. (2014). *Blízká budoucnost nakupování oblečení na internetu: 3D sken těla – Živě.cz*. [online] Živě.cz. Available at: <http://www.zive.cz/bleskovky/blizka-budoucnost-nakupovani-obleceni-na-internetu-3d-sken-tela/sc-4-a-175349/default.aspx> [Accessed 16 Apr. 2016].
- Porter, M. (1985). *Competitive advantage*. New York: The Free Press.

Porter, ME 2008, 'THE FIVE COMPETITIVE FORCES THAT SHAPE STRATEGY', *Harvard Business Review*, 86, 1, pp. 78-93, Business Source Complete, EBSCOhost, viewed 5 April 2016.

Prague Monitor. (2016). *Zeman criticised over suggestion Nečas government under thumb of US and EU* | Prague Monitor. [online] Available at: <http://praguemonitor.com/2016/03/29/zeman-criticised-over-suggestion-ne%C4%8D-government-under-thumb-us-and-eu> [Accessed 4 Apr. 2016].

Procházka, T. and Řezníček, J. (2014). *Obsahový marketing*. Brno: Computer Press.

Profi-kancelar.cz. (2016). *Ceník: založení s.r.o., virtuální kancelář a další*. [online] Available at: <http://www.profi-kancelar.cz/cenik/> [Accessed 12 Jul. 2016].

Quinn, J. (1980). *Strategies for change*. Homewood, Ill.: R.D. Irwin.

Radio Prague. (2016). *Czech euro enthusiasts fear delay will make adoption a lot more difficult*. [online] Available at: <http://www.radio.cz/en/section/marketplace/czech-euro-enthusiasts-fear-delay-will-make-adoption-a-lot-more-difficult> [Accessed 1 Apr. 2016].

Ratcliff, C. (2014). *How fashion ecommerce retailers can reduce online returns*. [online] Econsultancy. Available at: <https://econsultancy.com/blog/65026-how-fashion-ecommerce-retailers-can-reduce-online-returns/> [Accessed 5 Jul. 2016].

Rugman, A. and Collinson, S. (2012). *International business*. Harlow, England: Pearson.

Scott, R. (2012). *Czech Political Scandals, Prague - Czech Republic*. [online] Expats.cz. Available at: <http://www.expats.cz/prague/article/the-czech-republic/czech-political-scandals/> [Accessed 4 Apr. 2016].

Shaw, B. (2012). *Six Key Factors to Creating a Successful Online Store*. [online] Ecommerce blog by PrestaShop. Available at: <https://www.prestashop.com/blog/en/six-key-factors-creating-successful-online-store-infographic/> [Accessed 16 Apr. 2016].

Shirt Up!. (2016). *Blog - Shirt Up!*. [online] Available at: <http://shirtup.sk/blog/> [Accessed 5 Jul. 2016].

Shirt Up!. (2016). *JanaHrmi - Shirt Up!*. [online] Available at: <http://shirtup.sk/janahrmi/> [Accessed 5 Jul. 2016].

Shoptet. (2016). *Stav e-commerce v ČR v roce 2015 - Shoptet.cz*. [online] Available at: <https://www.shoptet.cz/stav-e-commerce-v-cr-2015/> [Accessed 4 Apr. 2016].

Smets, L., Langerak, F. and Rijdsdijk, S. (2013). Shouldn't Customers Control Customized Product Development?. *Journal of Product Innovation Management*, 30(6), pp.1242-1253.

Strauss, D. (2013). *Czech National Bank intervenes to weaken koruna* - FT.com. [online] Financial Times. Available at: <http://www.ft.com/cms/s/0/52428dfc-47d2-11e3-b1c4-00144feabdc0.html> [Accessed 5 Jul. 2016].

Stuchlík, P. and Dvořáček, M. (2000). *Marketing na Internetu*. Praha: Grada.

Tanwar, R. (2013). Porter's Generic Competitive Strategies. *IOSR Journal of Business and Management*, 15(1), pp.11-17.

Tepper, F. (2016). *CustomInk Acquires Represent, A Custom Merchandise Marketplace for Influencers*. [online] TechCrunch. Available at: <http://techcrunch.com/2016/02/04/customink-acquires-represent-a-custom-merchandise-marketplace-for-influencers/> [Accessed 4 Apr. 2016].

The Czech Trade Inspection Authority. (2013). *Who We Are & What We Do*. [online] Available at: <http://www.coi.cz/en/about-ctia/who-we-are-what-we-do/> [Accessed 4 Apr. 2016].

Tomek, G. and Vávrová, V. (2008). *Marketing od myšlenky k realizaci*. Praha: Professional Publishing.

Transparency International. (2013). *Czech Republic 2013 - World's largest opinion survey on corruption* - Transparency International. [online] Available at: [http://www.transparency.org/gcb2013/country/?country=czech\\_republic](http://www.transparency.org/gcb2013/country/?country=czech_republic) [Accessed 4 Apr. 2016].

T-shock.eu. (2016). *O nás*. [online] Available at: <http://www.t-shock.eu/cs/o-nas> [Accessed 14 Apr. 2016].

Vašítková, M. (2014). *Marketing služeb*. 2nd ed. Praha: Grada.

Vybrat-Eshop.cz. (2016). *Porovnat e-shopy* / Vybrat-Eshop.cz. [online] Available at: <http://www.vybrat-eshop.cz/eshopy> [Accessed 5 Jul. 2016].

Vyskočil, T. (2013). *Bud'te vidět: Inbound marketing pohledem*. [online] H1.cz. Available at: <http://www.h1.cz/files/inbound.pdf> [Accessed 4 Jul. 2016].

Webtrh.cz. (2016). *Copywriting, překlad z angličtiny a němčiny* - Webtrh. [online]



Available at: <https://webtrh.cz/349252-copywriting-preklad-anglictiny-nemciny?highlight=copywriting> [Accessed 12 Jul. 2016].

Worthington, I. and Britton, C. (2009). *The business environment*. Harlow, England: FT Prentice Hall.

Yan, G. (2016). *Czech Republic A Safe Haven for Chinese Investment: President*. [online] CRIEnglish. Available at: <http://english.cri.cn/12394/2016/03/27/3742s922066.htm> [Accessed 4 Apr. 2016].

Zikmund, W. and D'Amico, M. (1989). *Marketing*. New York: Wiley.

Zorzini, C. (2015). *How to Grow Your Online Shop: 26 Ecommerce Marketing Experts Share Their Tips - Ecommerce Platforms*. [online] Ecommerce Platforms. Available at: <http://ecommerce-platforms.com/articles/marketing-tips-how-to-grow-online-shop> [Accessed 16 Apr. 2016].

Zoufalá, K. (2016). *Proběhl Utubering v Praze a teď se řítí do Brna | Informuji.cz*. [online] Informuji.cz. Available at: <http://www.informuji.cz/clanky/2837-probehl-utubering-v-praze-a-ted-se-riti-do-brna/> [Accessed 10 Jul. 2016].

## LIST OF FIGURES

<b>Figure 1: Porter's five forces</b> (Source: Porter, 2008) .....	21
<b>Figure 2: Porter's generic strategies</b> (Source: Porter, 1985).....	25
<b>Figure 3: E-commerce revenue growth</b> (Source: Apek, 2016).....	34
<b>Figure 4: Products</b> (Source: Shirt Up, 2016) .....	48
<b>Figure 5: Facebook advertising</b> (Source: Facebook, 2016).....	49
<b>Figure 6: Presence on Instagram</b> (Source: Instagram, 2016).....	50
<b>Figure 7: Contest on Facebook</b> (Source: Facebook, 2016).....	51
<b>Figure 8: Blog</b> (Source: Shirt Up, 2016) .....	51
<b>Figure 9: Missing product description</b> (Source: Shirt Up, 2016) .....	52
<b>Figure 10: Slovak t-shirts</b> (Source: Shirt Up, 2016) .....	58
<b>Figure 11: Product lines extension</b> (Source: T-shock.eu, 2016) .....	58
<b>Figure 12: Design tool</b> (Source: T-shock.eu, 2016) .....	59
<b>Figure 13: Zasilkovna coverage</b> (Source: Zasilkovna.cz, 2016).....	60
<b>Figure 14: Ulozenka coverage</b> (Source: Ulozenka.cz, 2016).....	61
<b>Figure 15: Utubering 2016 in Prague</b> (Source: Zoufalá, 2016) .....	62
<b>Figure 16: GEO targeting cities over 100,000 inhabitants</b> (Source: Facebook.com, 2016) .....	65
<b>Figure 17: Initial investment</b> (Source: Own interpretation) .....	68
<b>Figure 18: Time investment</b> (Source: Own interpretation) .....	68
<b>Figure 19: Projected total cost</b> (Source: Own interpretation).....	69
<b>Figure 20: Projected profit</b> (Source: Own interpretation) .....	69

## **LIST OF TABLES**

<b>Table 1: SMART method .....</b>	<b>19</b>
<b>Table 2: SLEPT summarization .....</b>	<b>36</b>
<b>Table 3: KSFs summarization .....</b>	<b>37</b>
<b>Table 4: Orders overview .....</b>	<b>40</b>
<b>Table 5: Comparison of e-shops .....</b>	<b>45</b>
<b>Table 6: E-commerce statistics .....</b>	<b>45</b>
<b>Table 7: Porter's five forces summarization .....</b>	<b>47</b>
<b>Table 8: SWOT summarization.....</b>	<b>54</b>
<b>Table 9: Marketing mix based on entry mode .....</b>	<b>66</b>

## LIST OF GRAPHS

<b>Graph 1: Revenue of Repre s.r.o.</b> (Source: Finstat.sk, 2016).....	38
<b>Graph 2: Revenue of ALPHASET spol s.r.o.</b> (Source: Finstat.sk, 2016).....	39
<b>Graph 3: Orders by country</b> (Source: Own interpretation according to to Shirt Up) .	40
<b>Graph 4: Payment options used</b> (Source: Own interpretation according to to Shirt Up) .....	41
<b>Graph 5: Monthly revenue</b> (Source: Own interpretation according to to Shirt Up)....	41
<b>Graph 6: Orders by gender</b> (Source: Own interpretation according to to Shirt Up)...	42
<b>Graph 7: Revenue by source of sale</b> (Source: Own interpretation according to to Shirt Up) .....	43

## **LIST OF APPENDICES**

<b>Appendix 1: Structured interview with the executive manager of Shirt Up, s.r.o.....</b>	<b>I</b>
<b>Appendix 2: Summarized order data .....</b>	<b>III</b>
<b>Appendix 3: List of suppliers and supply costs.....</b>	<b>IV</b>
<b>Appendix 4: Price of production.....</b>	<b>IV</b>
<b>Appendix 5: List of top 50 Czech Youtubers.....</b>	<b>V</b>
<b>Appendix 6: E-shop development quote.....</b>	<b>VII</b>

**Appendix 1: Structured interview with the executive manager of Shirt Up, s.r.o.  
(Shirt Up, 2016)**

What does your company do?

The company Shirt up, s.r.o. runs the e-shop [www.shirtup.sk](http://www.shirtup.sk) where we sell t-shirts with our designs, designs provided by our customers (the customer has an option to design his own t-shirt) or designs of our partners who market them and sell them as their merchandise.

Do you manufacture t-shirts yourself?

We buy blank t-shirts (various single coloured t-shirts in wholesale store and print designs on them.

How many t-shirts do you buy? What is the price?

We buy around 500 t-shirts per month. Price varies by the colour and style, but on average it is around 2 EUR per piece.

How many suppliers do you have?

We have one long-term supplier for t-shirts and one for printing accessories. We buy packaging and other consumables from wherever it is cheaper at the moment.

What is your total cost per t-shirt produced?

It's around 3 EUR including t-shirt, printing and work.

How much is the work? Who does it?

We have a part time student worker who does the job. The cost is around 50 cents per t-shirt produced.

What is the profit margin?

It is around 200%.

Is there any chance to buy these t-shirts cheaper?

No, we have too low turnaround for any bargaining. Our current supplier is already the cheapest one from all available in our area.

Where do you get designs?

We have several graphic designers that create graphic designs for us as required. Designs could be also provided by customers or our partners.

What is your current revenue and profit?

Monthly revenue is around 4000 – 5000, profit around 2400 – 3000 EUR. The target revenue for the year 2016 is 50 000 EUR.

Do you currently have foreign operations?

We ship to the EU, USA, Switzerland and Norway, but orders outside of Slovakia are less around 0.5 % of all orders.

Why do you want to expand to the Czech Republic?

It is a natural move for any business based in Slovakia when it wants to expand, because there are basically no barriers. The Czech Republic and Slovakia could be even considered a single market by some.

How do you want to enter the Czech market?

We don't know yet. We are considering mainly opening an own branch there or shipping from Slovakia. We want to have absolute control over the business.

Have you already made any preparations for entering the Czech market?

We own the domain shirtup.cz, but that's all.

How much would establishment of own branch cost?

Machines needed to start it are quite cheap, the whole equipment can be bought for around 1500 EUR. Monthly rent of the proper space would be probably below 200 EUR / month. Labour would be cheap too as it can be performed by students. But someone would have to oversee the operation.

Who is your competitor in the Czech Republic?

trikator.cz, realgeek.cz, shirtinator.cz, t-shock.eu

Do you have any affiliate program?

Not for webmasters at the moment, but we are considering it. We cooperate people popular on social media and they are awarded with commission between 20-50% (around 50 % of net generated profit on average) when they bring sale. It is decreasing our profit, but on the other hand, customers who are brought by these partners sometimes buy also products that are not subject of commission.

Are you using CPC or any other online advertising to promote your products?

No, at the moment we rely solely on our partners who promote us.

## **Appendix 2: Summarized order data (Shirt Up, 2016)**

Orders by country		Total orders	1116
			21 605,10
Slovakia	1102	Total revenue	€
Czech Republic	6	Average order value	19,36 €
Other	8	Returned orders	16
Payment options		Gender	
Cash on delivery	1052	Male	112
PayPal / card	48	Female	1004
Wire transfer	16		
			17 716,20
		Revenue generated by partners	€
		Revenue generated on own items	3 888,90 €

### Revenue by months

January	4 321,90 €
February	4 600,20 €
March	4 661,80 €
April	3 915,00 €
May	4 106,20 €



21 605,10  
€

### Appendix 3: List of suppliers and supply costs (Shirt Up, 2016)

Supplier	Item	Cost	
Repre	t-shirt	2,00 €	
Repre	hoodie	8,00 €	
Alphaset	foils	0,43 €	sold by 100
tonerydotlaciarnie	toners	78,60 €	
office supplies	plastic envelopes	0,08 €	sold by 100
office supplies	office paper	0,01 €	sold by 500
office supplies	sticky paper	0,06 €	

### Appendix 4: Price of production (Shirt Up, 2016)

Product	Average price per final product *
t-shirt	3,00 €
hoodie	9,50 €

\* including material, work, packaging

## Appendix 5: List of top 50 Czech Youtubers (YouTuberi.tv, 2016)

### Top 50 Czech YouTubers.

Order	Name	Total video views	Subscribers	Already have a partnership
1	ViralBrothers	493873860	2686335	yes
2	GoGoManTV	318728432	1312165	yes
3	MenT	131574227	735805	yes
4	GEJMR	123622397	655380	no
5	Hoggy	148458281	630098	yes
6	Jirka Král	116143399	601436	yes
7	Expl0ited	101434118	546264	yes
8	PedrosGame	92453500	521301	no
9	GoGosVlog	36389181	468708	yes
10	MinecraftBoxCZ	79205355	458818	no
11	NejFake	78894101	455180	yes
12	Stejk	71325040	423078	yes
13	Crafák	49976680	387334	no
14	menameselassie	44879529	373288	yes
15	MadBros	61282122	370134	yes
16	Teri Blitzen	45079771	357434	no
17	FattyPillowTV	82913579	347190	yes
18	AtiShow	32464759	346580	yes
19	FlyGunCZ	64756979	346120	no
20	TVTwixx	65912389	337298	no
21	Johnny Valda	57219785	311593	yes
22	petangames	49220576	300811	yes
23	VADAK	23858804	300255	yes
24	DenisTV	35002231	298929	no
25	Kovy	21038003	277253	no
26	SmusaGames	27303888	274693	yes
27	Gameballcz	39569772	274222	no
28	Šimon Vojta	12365564	269668	no
29	Agraelovo Let's Play Šílenství	93832222	256859	yes
30	Vidrail	16997173	247459	yes
31	GEJMROVEC	13078953	234283	yes
32	WedryLP	34949368	228633	no
33	To je ten náš Matúš	9942953	221434	yes
34	VladaVideos	21134249	211674	yes

35 Sterakdary	44411460	193030 yes
36 Roth Wellden	27436438	182923 no
37 GetTheLouk	31810049	180370 no
38 NaprostoRetardovany	20970311	178580 no
39 Zdochliakk	20977620	158077 yes
40 ViralBrothers České VLOGY	29254367	156832 no
41 EvilBender47	45474528	151903 yes
42 GMSVidea	38238001	139354 no
43 petralovevelyhair	27606821	134344 no
44 Fimlar	32420687	124916 no
45 Nici Koderová	12868853	124425 no
46 Carrie Kirsten	14648431	121188 no
47 RaegoTV	47153023	115374 no
48 serialSEXPRTI	23398954	114099 no
49 A Cup of Style	18305684	112595 no
50 MenTlive	3633368	112493 no

without partnership: 25

with partnership: 25

## Appendix 6: E-shop development quote (Shirt Up, 2016)



Cenová ponuka

**ShirtUp.sk**

SLUŽBA	VÝSTUP	CENA	ČAS VYPRACOVANIA
Grafický návrh web stránky	PSD	500€	7-10 dní
Kódovanie webovej stránky	HTML/CSS responzívne	500€	7 dní
Nahodenie šablóny na wordpress woocommerce	PHP/MYSQL/JQUERY/AJAX	500€	7 dní
Úprava modulov, Kúpa modulov, vzájomné prepojenie/upravovanie jadier	PHP/MYSQL/JQUERY/AJAX	750€	10-14 dní
Ostatné úpravy – Inštalácie rôznych iných pluginov – SEO pluginy, Nastavovanie, Https certifikát nastavenie etc.	-	450€	5-5 dní
V cene	Všetky moduly, ktoré ešte nie sú zakúpené a ktoré bude treba na vypracovanie, Nainštalovanie heureka feedu, toho poštového feedu, trustpay modulu etc.	-	-
<b>CELKOVÁ CENA</b>		<b>2700€, čas vypracovania: 35- 43 dní</b>	

Doba vypracovania je orientačná – je to doba čisto na prácu, ak by bolo treba predĺžovať, že trochu dlhšie ladíme design a pod. tak sa to môže o pár dní natiahnuť, taktiež treba rátať ešte na testovačku tak 7 dní po odovzdaní a potom pár dní, ak by sa našli ešte nejaké detaily na úpravu.

V cene sú všetky moduly, ktoré bude treba, jednoducho ak niečo budeme potrebovať kúpiť, kúpime to na naše náklady o to sa nebudete Vy už musieť zaujímať a ešte to riešiť.

**Vypracoval:** Michal Fiala

**Dátum:** 10.7.2016